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744458
Sup. Ct.

Vol. I

TRANSCRIPT OF RECORD

(Pages 1 to 536)

Supreme Court of the United States

OCTOBER TERM, 1946

No. 733

INTERSTATE NATURAL GAS COMPANY, INCORPORATED, PETITIONER,

vs.

FEDERAL POWER COMMISSION, LOUISIANA, PUBLIC SERVICE COMMISSION, CITY OF NEW ORLEANS, LOUISIANA, AND CITY OF BATON ROUGE, LOUISIANA

ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE FIFTH CIRCUIT

PETITION FOR CERTIORARI FILED NOVEMBER 30, 1946.

CERTIORARI GRANTED FEBRUARY 10, 1947.

UNITED STATES OF AMERICA,

UNITED STATES CIRCUIT COURT OF APPEALS,
FIFTH JUDICIAL CIRCUIT:

PLEAS AND PROCEEDINGS had and done at a regular term of the United States Circuit Court of Appeals for the Fifth Circuit, begun on the third Monday in November, A. D. 1945, at New Orleans, Louisiana, before the Honorable Samuel H. Sibley, the Honorable Joseph C. Hutcheson, Jr., and the Honorable Curtis L. Waller, Circuit Judges:

INTERSTATE NATURAL GAS COMPANY, INCORPORATED,

Petitioner,

versus

FEDERAL POWER COMMISSION, LOUISIANA PUBLIC SERVICE COMMISSION, CITY OF NEW ORLEANS, LOUISIANA, CITY OF BATON ROUGE, LOUISIANA,

Respondents.

Be It Remembered, That heretofore, to-wit, on the 13th day of August, A. D. 1943, a transcript of the record in the above styled cause, pursuant to a petition for review of the Order of the Federal Power Commision, Washington, D. C., was filed in the office of the Clerk of the said United States Circuit Court of Appeals for the Fifth Circuit, said case having been docketed on June 14th, 1943, in said Circuit Court of Appeals as No. 10701, as follows, to-wit:

VOLUME I.
TRANSCRIPT OF RECORD.

UNITED STATES
CIRCUIT COURT OF APPEALS

FIFTH CIRCUIT.

No. 10,701

INTERSTATE NATURAL GAS COMPANY, INCORPORATED,

Petitioner,

versus

FEDERAL POWER COMMISSION, LOUISIANA PUBLIC SERVICE COMMISSION, CITY OF NEW ORLEANS, LOUISIANA, CITY OF BATON ROUGE, LOUISIANA,

Respondents.

Petition for Review of an Order of the Federal Power Commission, Washington, D. C.

(ORIGINAL RECORD RECEIVED AUG. 13/43.)

U. S. CIRCUIT COURT OF APPEALS
FILED
FEB 12 1946
Gatley J. Dodd
CLERK

VOLUME I.

INDEX.

	PAGE
Proceedings in United States Circuit Court of Appeals:	
Joint Stipulation of Counsel as to Printing Record	1
Petition to Review and Set Aside Order of the Federal Power Commission	11
Order to File Petition for Review	19
Order granting Stay	20
Transcript of Hearing before the Federal Power Commission:	
Petition filed by Louisiana Public Service Commission	23
Exhibit—Louisiana Public Service Commission Order #2090, dated 2/1/39, (Omitted)	35
Answer of Defendant, Interstate Natural Gas Company, Inc., filed 6/24/39	36
Exhibit "A"—Restraining Order, dated 5/31/39	44
Exhibit "B"—Order dated 6/7/39 setting date for hearing of the Rule for Interlocutory or Preliminary Injunction for 6/9/39	48
Order instituting Investigation, entered 12/5/39	50
Order consolidating Proceedings for Purpose of Hearing and fixing date of hearing, entered 5/12/42	52
Order permitting Intervention of the City of New Orleans, La., entered 5/15/42 (Omitted)	54
Order changing place and date of hearing (Omitted)	55
Designation of Trial Examiner Edward B. March to preside at hearing, filed 5/27/42 (Omitted)	55

INDEX—Continued

	PAGE
Opinion No. 91 Federal Power Commission, entered and filed 4/27/43	55
Order reducing Rates, entered 4/27/43	81
Petition of Interstate Natural Gas Co., Inc., for Stay and Modification of the Commissioner's Order of 4/27/43	87
Order extending time of filing and effective date of New Schedules of rates and Charges, entered 5/11/43	92
Petition for Rehearing of Interstate Natural Gas Company, Inc.	93
Order modifying Order reducing rates and denying Petition for Rehearing entered 6/9/43	100
Transcript of Hearing before the Federal Power Commission:	
Colloquy between Trial Examiner and Counsel	102
TRANSCRIPT OF HEARING:	
Testimony of P. A. Frye	106
Frank H. Lerch, Jr.	114
Bernie Wilenzick	125
Edel F. Blanks	128
George I. Rhodes	157
Edel F. Blanks (Recalled)	170
Edel F. Blanks (Recalled)	208
Frank H. Lerch, Jr. (Resumed)	238
Bernie Wilenzick (Recalled)	281
Paul C. White	283
Paul C. White (Resumed)	298
Paul C. White (Resumed)	320
Fred H. Magruder	328
Frank C. Rivers	357
James V. O'Connor	367
Frank H. Lerch, Jr.	403
James V. O'Connor (Resumed)	405
Frank H. Lerch, Jr. (Resumed)	410

INDEX—Continued

PAGE

Transcript of Hearing—(Continued):
Testimony of F. H. Lerch, Jr.—(Continued):
Exhibit—Excerpts from Bill in Equity filed in U. S. District Court, Eastern District of La., Baton Rouge Division by the Interstate Nat'l Gas Co., Inc., against Public Service Commission of La. 421

Testimony of Mr. Shotwell (Resumed) 431

TRANSCRIPT OF ORAL ARGUMENT HEARD ON 10/14/42:
Statement made Commissioner 440
Order of Federal Power Commission granting Oral Argument 441
Opening Argument on Behalf of Respondent, by William A. Dougherty 445
Opening Argument of Edward H. Lange 489
Closing Argument of Mr. Dougherty 501

Exhibits:
Exhibit #1—Louisiana Public Service Commission Order No. 2090, dated 2/1/39 507
Exhibit #3—General Description of the Organization, Property and Business of Interstate Natural Gas Company, Inc. 519

VOLUME II.

Exhibit #4—Agreement between Standard Oil Company (New Jersey) and Ford, Bacon and Davis, Inc., dated 10/9/25 537

INDEX—Continued

PAGE

Exhibits—(Continued):

Exhibit #5—Photostat of Acreage Map showing the acreage in the Monroe Field of Interstate Natural Gas Co., Inc., et al., will be submitted, etc. 553

Exhibit #6—Photostat of Field Map showing all of the field lines of Interstate Natural Gas Co., Inc., showing, also, in colors certain acreage within the Monroe Fields 554

Exhibit #8—List of Rate Schedules, designated "Field Sales", filed by Interstate Natural Gas Co., Inc., with the Federal Power Commission 555

Exhibit #39—Analysis of Interstate Natural Gas Company, Inc., field sales contracts for the years 1937 to 1941 inclu[redacted] 558

Exhibit #42—A description of the Natural Gas properties and the production and gathering operations of Interstate Natural Gas Company, Inc., in the Monroe Gas Field, Morehouse, Union, and Ouachita Parishes, La. 559

Photostat of Picture, Miss. River Fuel Corp., General View from South—Compressor Station. 582

Photostat of Picture, Miss. River Fuel Corp., General View from North 583

Photostat of Picture, Miss. River Fuel Corp., Miss. and Southern Nat'l Meter Settings 584

Photostat of Picture, Miss. River Fuel Corp., Purchase Meter Setting 585

Photostat of Picture, Miss. River Fuel Corp., Worthington Engines—Low Stage ... 586

INDEX—Continued

PAGE

Exhibits—(Continued):
Exhibit #42—(Continued):
Photostat of Picture, Miss. River Fuel Corp., Natural Transits—Low Stage 587
Photostat of Picture, Miss. River Fuel Corp., Cooper's—High Stage 588
Photostat of Picture, Southern Natural Gas Company—General View 589
Photostat of Picture, Southern Natural Gas Company—Meter Setting 590
Photostat of Picture, Southern Natural Gas Company—Cooper's—Low Stage 591
Photostat of Picture, Southern Natural Gas Company—Worthington's—High Stage 592
Photostat of Picture, Memphis Natural Gas Company, General View—Guthrie Station 593
Photostat of Picture, Memphis Natural Gas Company, Meter Runs 594
Photostat of Picture, Memphis Natural Gas Company, Inside View Compressors—Guthrie Station 595
Photostat of Picture, Interstate Natural Gas Co., Inc., General View—DeSiard Station 596
Photostat of Picture, Interstate Natural Gas Co., Inc., View of Scrubbers, Valve Boxes and United Gas Delivery to Interstate—North End of Plant Yard at DeSiard Station 597
Photostat of Picture, Interstate Natural Gas Co., Inc., Inside View Compressors—DeSiard Station 598

INDEX—Continued

PAGE

Exhibits—(Continued):

Exhibit #43—Photostat of Dispatching Diagram showing schematically the location of wells, field lines, points of delivery in the field and lines coming into Interstate Natural Gas Company, Inc.'s, DeSiard Compressor Station 599

Exhibit #45—Photostat of Schematic Diagram of delivery points to the United Gas Pipeline Company and to the Southern Natural Gas Company and to the Miss. River Fuel Corporation 600

Exhibit #49—Excerpt from said Exhibit—"Properties and Operations of the Interstate Natural Gas Company, Inc", prepared by Paul C. White 601

Exhibit #50—Excerpt from said Exhibit—"Estimate of Natural Gas Reserves" prepared by Paul C. White 659

Exhibit #51—Excerpt of "Composite Service Lives and Depletion of the Interstate Natural Gas Co., Inc.", prepared by Paul C. White 675

Exhibit #56—Excerpt from said Exhibit—"Original Cost of Gas Plant—December 31, 1940" of Interstate Nat'l Gas Co., prepared by F. H. Magruder 683

Exhibit #57—Excerpts from said Exhibit—"A Corporate and Financial History of Interstate Natural Gas Co., Inc., being an account of its Organization, Control, Development, and Scope of Operations", prepared by F. H. Magruder 697

INDEX—Continued

PAGE

Exhibits—(Continued):

Exhibit #57-A—"Addenda to a Corporate and Financial History of Interstate Natural Gas Co., Inc.", prepared by F. H. Magruder 730

Exhibit #59—Excerpt of Determination of depreciation and depletion of Interstate Natural Gas So., Inc.'s, gas plant for the Years 1926 through 1940, prepared by F. H. Magruder 735

Exhibit #60—Excerpt of Interstate Natural Gas Co., Inc., exploration and development costs for the years 1926-1940, prepared by F. H. Magruder 752

Exhibit #62-A—Excerpts from said Exhibit—Volume 1 of "Income Accounts Reclassified and Adjusted for the Years 1938; 1939 and 1940", prepared by Frank C. Rivers 759

Exhibit #63—Excerpts from said Exhibit—"Report on Income, Plant and Depreciation and Depletion Reserve Accounts for the Year 1941", prepared by Frank C. Rivers 780

Exhibit #64—Excerpt of "Comparison of Rate Schedules and Gas Sales, Agreements of Natural Gas Co., Inc.", prepared by James V. O'Connor 792

Exhibit #65—Excerpt of "Cost of Service, 1938 to 1941, and allocation of Cost of Service 1941—Interstate Natural Gas Company, Inc.", prepared by James V. O'Connor ... 807

Exhibit #89—Stipulation and Plan for Natural Gas Pipe Line to the St. Louis District, dated 6/26/28, and supplemented by Producers' Group Agreement, dated 12/17/28 833

INDEX—Continued

PAGE

Exhibits—(Continued):

Exhibit #90—Petition filed by Respondent, In U. S. District Court, Eastern District of La., Baton Rouge Division, in the Matter of Interstate Natural Gas Company, Inc. vs. Louisiana Public Service Commission, et al. 847

Exhibit #91—Affidavit of F. H. Lerch, Jr., filed in U. S. District Court, Eastern District of La., Baton Rouge Division, in the Matter of Interstate Natural Gas Co., Inc. vs. Louisiana Public Service Commission, et al. 879

Certificate of Transcript of Record of Federal Power Commission 891

IN THE
UNITED STATES CIRCUIT COURT OF APPEALS,
FIFTH CIRCUIT.

INDEX.

	PAGE
Argument and Submission	909
Opinion of the Court, and Dissenting Opinion by Waller, Circuit Judge	910
Judgment	928
Order Extending Time to File Rehearing	929
Petition for Rehearing	930
Petition of Amicus Curiae for Rehearing	939
Order Denying Rehearing	948
Clerk's Certificate	949
Order allowing certiorari	950

JOINT STIPULATION OF COUNSEL AS TO PRINTING RECORD.

Filed Nov. 13, 1945.

IN THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE FIFTH CIRCUIT.

INTERSTATE NATURAL GAS COMPANY, INCORPORATED,

Petitioner,

v.

FEDERAL POWER COMMISSION, ET AL.,

Respondent.

No. 10701.

Now Comes Interstate Natural Gas Company, Incorporated (herein referred to as "Interstate"), Petitioner herein, the Federal Power Commission and the other parties to the review proceedings above captioned, whose joinder herein is indicated by their signatures hereto, and stipulate in substitution for and in lieu of the stipulation heretofore filed in this Court respecting the designation of the printed record, that the printed record in the review proceedings above captioned shall contain the following, and the undersigned hereby designate the following as the printed record in the above captioned review proceedings:

Pleas and Proceedings in United States Circuit Court of Appeals.

1. The Petition for Review filed herein June 14, 1943, omitting therefrom

(a) under Part C, entitled "The Points On Which the Petitioner Intends to Rely", the paragraphs numbered 1, 5, 6, 7, 8, 9, 10, 11, 12, 14, 16, 24, 25, 27 and 28; also omit paragraphs numbered 13, 15, 17 to 23 inclusive, 26 and 31;

(b) signatures of counsel, verification; and

(c) the exhibits attached to the Petition.

2. Response of Federal Power Commission to Petitioner's Prayer for Stay filed June 14, 1943.

3. Order of Court entered June 14, 1943 staying Order of Federal Power Commission entered April 27, 1943 as modified by Orders entered May 11 and June 9, 1943.

Transcript of Pleas and Proceedings Before the Federal Power Commission.

References herein will be to the volume and page of the official record as filed by the Federal Power Commission under Certificate dated August 9, 1943.

4. Petition of Louisiana Public Service Commission. Volume IX, pages 3849 through 3859. Print the following statement:

"Copy of Order No. 2090 in Proceeding No. 2720 attached to Complaint is same as Exhibit No. 1, pages 1168 through 1174 hereafter printed."

5. Answer of Defendant. Volume IX, pages 3868 through 3876, omitting signatures. Also, pages 3878 through 3881.

6. Order instituting investigation. Volume IX, pages 3883 and 3884.

7. Order Consolidating Proceedings. Volume IX, pages 3907 and 3908.

8. Opinion No. 91 entered and filed April 27, 1943. Volume IX, pages 3938 through 3974.

9. Petition of Interstate Natural Gas Company, Incorporated for Stay and Modification of Commission Order. Volume IX, pages 3978 through 3980.

10. Order extending time of filing schedules. Volume IX, pages 3983 and 3984.

11. Petition for Rehearing of Interstate Natural Gas Company, Incorporated. Volume IX, pages 3986 through 4002, but omit therefrom the following paragraphs under the heading "Specification of Errors", viz: 1, 5, 6, 7, 8, 9, 10, 11, 12, 14, 16, 24, 25, 27, 28, 29 and 30. Omit signatures and verification and Certificate of Service.

12. Order of Commission entered June 9, 1943. Volume IX, pages 4005 and 4006.

13. The following excerpts from the Transcript of Hearings referred to as Items 1, 2 and 3 in the Certificate of J. H. Gutride, Acting Secretary of the Federal Power Commission, and constituting Volumes I and II of the Record filed by the Commission:

Commencing page 17, line 4 through page 18, line 21.

Commencing page 19, line 15 through page 22, line 17.

Commencing page 30, line 13 through page 36, line 21.

Commencing page 38, line 15 through page 48, complete.

Commencing page 49, line 1 through page 49, line 9.

Commencing page 55, line 21 through page 59, line 12.

Commencing page 64, line 12 through page 67, line 23.

Commencing page 68, line 12 through page 170, complete.

Commencing page 172, line 18 through page 203, line 10.

Commencing page 276, line 14 through page 319, line 3.

Commencing page 329, line 23 through page 339, line 6.

Commencing page 359, line 25 through page 376, line 21.

Commencing page 392, line 9 through page 418, complete.

Commencing page 420, line 6 through page 427, line 4.

Commencing page 427, line 17 through page 428, line 16.

Commencing page 434, line 21 through page 434, complete.

Commencing page 440, line 1 through page 450, line 19.

Commencing page 452, line 2 through page 452, line 4 end of sentence.

Commencing page 452, line 14 through page 454, line 11.

Commencing page 457, line 18 through page 463, line 24.

Commencing page 464, line 13 through page 469, line 2.

Commencing page 470, line 5 through page 474, line 18.

Commencing page 475, line 2 through page 478, line 12.

Commencing page 503, line 24 through page 515, line 14.

Commencing page 517, line 5 through page 563, complete.

Commencing page 580, line 20 through page 581, line 3.

Commencing page 745, line 20 through page 746, line 20.

Commencing page 748, line 3 through page 749, line 7.

Commencing page 824, line 17 through page 824, line 20.

Commencing page 825, line 8 through page 830, line 8.

Commencing page 831, line 5 through page 831, line 7.

Commencing page 838, line 7 through page 852, line 11.

Commencing page 853, line 10 through page 875, line 9.

Commencing page 1055, line 2 through page 1111, line 11.

Commencing page 1145, line 11 through page 1166, complete.

14. The following designation relates to the portion of the exhibits to be printed, all listed under Item 4 in the Certificate of J. H. Gutride, Acting Secretary of the Federal Power Commission, and constituting Volumes III through IX of the official record ending at page 3848. References made will give the Exhibit Number and the volume and page of the official record. There should be printed the Exhibit Number preceding the excerpt from that exhibit, omitting all formal designations and captions.

Exhibit 1, complete.

Exhibit 3, pp. 1178 through 1194.

Exhibit 4, pp. 1196 through 1212.

Exhibit 5. Sufficient photostatic copies on a reduced scale and without coloring will be furnished to the printer for inclusion in the record in accordance with the request of the Clerk made under date of November 3, 1943. These copies will not be colored.

Exhibit 6. Sufficient photostatic copies on a reduced scale and without coloring will be furnished to the print-

er for inclusion in the record in accordance with the request of the Clerk made under date of November 3, 1943. These copies will not be colored.

Exhibit 8, complete.

Exhibit 39, complete.

Exhibit 42, pp. 2330 through 2369.

Exhibit 43, complete. Photostats of this exhibit on a reduced scale will be furnished for inclusion in the record pursuant to the request of the Clerk under date of November 3, 1943.

Exhibit 45, complete. Photostats of this exhibit on a reduced scale will be furnished for inclusion in the record pursuant to the request of the Clerk under date of November 3, 1943.

Exhibit 49, pp. 2455 through 2483; pp. 2487 through 2494; and pp. 2498 through 2505. Photostats of the maps at pp. 2463 and 2472 and of the diagrams at pp. 2482 and 2483 will be furnished for inclusion in the record in accordance with the request of the Clerk made under date of November 3, 1943. These copies will not be colored.

Exhibit 50, pp. 2511 through 2521. Print the following statement: "Page 2522 is the same as page 2463".

Exhibit 51, pp. 2525 through 2530.

Exhibit 56, pp. 2580 through 2593.

Exhibit 57, pp. 2689 through 2719.

Exhibit 57A, pp. 2721 through 2725.

Exhibit 59, pp. 2740 through 2750; p. 2758; and pp. 2765 through 2769.

Exhibit 60, pp. 2778 through 2784.

Exhibit 62A, pp. 2809 through 2827; and pp. 2841 through 2843.

Exhibit 63, pp. 2958 through 2968; and pp. 2971 through 2973.

Exhibit 64, pp. 3014 through 3025, line 9.

Exhibit 65, pp. 3035 through 3055; and pp. 3058 through 3059.

Exhibit 89, pp. 3437 through 3445.

Exhibit 90, complete.

Exhibit 91, complete.

15. It is expressly stipulated that in the event any of the parties hereto shall find it necessary or proper to refer to the Official Record filed with the Court by the Commission, the filing of this Stipulation, and the printed record in pursuance thereof, shall in no wise prejudice the right so to do.

Dated this 23rd day of October, 1945.

INTERSTATE NATURAL GAS COMPANY, INCORPORATED,

By WILLIAM A. DOUGHERTY,
ALDEN T. SHOTWELL,
C. R. B.,
HENRY P. DART, JR.,
H. GRADY PRICE,
Its Attorneys.
FEDERAL POWER COMMISSION,
By HARRY S. LITTMAN,
Assistant General Counsel,
Its Attorneys.
LOUISIANA PUBLIC SERVICE COMMISSION,
By FRED S. LeBLANC,
Attorney General,
B. C. PERRAULT,
First Asst. Attorney General,
R. H. LEE,
Special Asst. Attorney General,
Its Attorneys.
CITY OF NEW ORLEANS, LOUISIANA,
By FRANCIS P. BURNS,
City Attorney,
(Illegible)
WARREN O. COLEMAN,
Its Attorneys.
CITY OF BATON ROUGE, LOUISIANA,
By ROLAND C. KIZER,
Its Attorneys.

STIPULATION WITHDRAWING CERTAIN ASSIGNMENTS OF ERROR.

In the United States Circuit Court of Appeals for the Fifth Circuit.

Interstate Natural Gas Company, Incorporated, a Corporation, Petitioner,

v. No. 10,701.

Federal Power Commission, Louisiana Public Service Commission, City of New Orleans, Louisiana, City of Baton Rouge, Louisiana, Respondents.

It is hereby stipulated and agreed by and between the undersigned counsel for Petitioner, Interstate Natural Gas Company, Incorporated, and counsel for the Federal Power Commission, as follows, relative to the petition herein of Interstate Natural Gas Company, Incorporated, to review and set aside an order of the Federal Power Commission:

1. That Petitioner's Assignments of Error Nos. 1, 5 to 28 inclusive, and 31, and each of them be and the same are hereby withdrawn.

3. That Petitioner's Assignments of Error Nos. 29 and 30 be and the same are hereby withdrawn insofar as they relate to Petitioner's rates charged for the transportation of natural gas for, and the sale of natural gas to, United Gas Pipe Line Company for resale in the New Orleans area.

3. That Petitioner's Assignment of Error No. 32 and the same is hereby withdrawn insofar as it relates to the points covered by the Assignments of Error referred to in Paragraphs 1 and 2 hereof.

4. That this stipulation is to be printed as a part of the record in this cause.

Dated: October 22nd, 1945.

WILLIAM A. DOUGHERTY,
Counsel for Petitioner.
HARRY S. LITTMAN,
Counsel for Respondent, Federal Power Commission.

PETITION OF INTERSTATE NATURAL GAS COMPANY, INCORPORATED TO REVIEW AND SET ASIDE AN ORDER OF THE FEDERAL POWER COMMISSION.

10 Filed June 14, 1943.

In the United States Circuit Court of Appeals for the Fifth Circuit.

Interstate Natural Gas Company, Incorporated, a Corporation, Petitioner,

v. No. 10,701.

Federal Power Commission, Louisiana Public Service Commission, City of New Orleans, Louisiana, City of Baton Rouge, Louisiana, Respondents.

To the United States Circuit Court of Appeals for the Fifth Circuit and the Honorable Judges Thereof:

Interstate Natural Gas Company, Incorporated, a Delaware corporation, hereinafter referred to as Petitioner, being aggrieved by an Order of the Federal Power Commission (herein referred to as the Commission) dated April 27, 1943, respectfully petitions this Honor-

able Court to review and set aside said Order; and in support of its Petition respectfully represents and shows:

A.

The Nature of the Proceedings as to Which Review is Sought.

The Order of the Commission which your Petitioner now seeks to have reviewed and set aside, was entered after a hearing in two consolidated proceedings brought against Petitioner. The proceedings were instituted and the Order made purportedly under the authority of and in accordance with the terms of the Act of Congress known as the Natural Gas Act (Act of June 21, 1938, c. 556, 52 Stat. 824). These proceedings were entitled and docketed before the Commission as follows: "Louisiana Public Service Commission, Complainant, v. Interstate Natural Gas Company, Incorporated, Defendant, Docket No. G-132"; and "In the Matter of Interstate Natural Gas Company, Incorporated, Docket No. G-149".

Case No. G-132 was instituted May 23, 1939 by the filing of a complaint by the Louisiana Public Service Commission against this Petitioner. Said complaint in general alleged that the prices being charged by Petitioner for the sale of gas to public utilities and municipally owned distributing systems in the State of Louisiana were unreasonable and unlawful and prayed that these rates be reduced. To that complaint Petitioner filed an answer denying the allegations thereof.

Case No. G-149 was instituted December 5, 1939 by the Federal Power Commission on its own motion. This was a general investigation of the reasonableness of all the interstate wholesale rates and the transpor-

tation rates of Petitioner subject to the jurisdiction of the Commission. In this proceeding, Petitioner denied that its rates were unjust and unreasonable and claimed that all sales of natural gas made by it in the field to certain pipe line customers were wholly exempt from the jurisdiction of the Commission by reason of the fact that the same were made as a part of the production and gathering of natural gas.

The two cases were consolidated for the purpose of the hearing and the City of New Orleans and the City of Baton Rouge, Louisiana were permitted to intervene and take part therein. Public hearings were held at intervals during June and July of 1942, evidence was presented by all parties and the hearing closed. The record consists of approximately 1,000 pages of oral testimony and 103 exhibits. Briefs were filed and oral argument had.

On April 27, 1943, the Commission rendered Opinion No. 91 and entered an Order, a copy of which Opinion and Order is attached hereto as Exhibit "A" and by reference made a part hereof, served upon Petitioner on May 1, 1943, in which Opinion and Order the Commission finds that the prices being charged for natural gas sold to certain designated customers were unjust and unreasonable and that after making allowance for certain reductions reflecting a total reduction of $1,100,345 on the basis of the volumes of gas sold and transported under Federal regulation during the year 1941. Said schedules were ordered to be filed on or before May 15, 1943. Pursuant to a request made therefor, the time for filing such schedules was extended to June 15, 1943 by Order entered May 11, 1943, a copy of which is attached hereto as Exhibit "B" and by reference made a part hereof.

On May 18, 1943, your Petitioner filed with the Commission its "Petition for Rehearing of Interstate Natural Gas Company, Incorporated". By Order entered on June 9, 1943, the Commission modified said Order of April 27, 1943, in one respect, thereby fixing the reduction of rates at $1,091,583 instead of $1,100,345, and otherwise denied said Petition for Rehearing. A copy of said Order is attached hereto as Exhibit "C" and by reference made a part hereof.

B.

The Facts and Statute Upon Which Venue is Based.

The statute upon which venue in this case is based, is Section 18 (b) of the Natural Gas Act; Act of June 21, 1938, c556, 52 Stat. 833; Section 717r (b), Title 15 U. S. C. A., the pertinent part of which reads:

"Any party to a proceeding under this chapter aggrieved by an order issued by the Commission in such proceeding, may obtain a review of such order in the Circuit Court of Appeals of the United States for any circuit wherein the natural gas company to which the order relates is located or has its principal place of business * * *."

Petitioner is a private corporation organized and existing under the laws of the State of Delaware and is qualified to do business in the State of Louisiana. It owns and operates natural gas and mineral rights, many producing wells and gathering lines in the Monroe Field in Northern Louisiana and also owns and operates a main transmission natural gas pipe line commencing at a point in the Monroe Field and extending through the State of Louisiana to a point opposite Natchez, Missis-

sippi, then crossing the Mississippi River and continuing southwardly in the State of Mississippi and re-entering the State of Louisiana and terminating at a point just north of the City of Baton Rouge, Louisiana. Its operating office, principal place of business and its Manager are situated at Monroe, Louisiana. All of its physical properties are located and all of its sales take place within territory within the Fifth Circuit.

C.

The Points on Which the Petitioner Intends to Rely.

With respect to each and every point hereinafter stated, Petitioner asserts that each of the errors herein specifically assigned operates to confiscate and take Petitioner's property without just compensation, and to deprive Petitioner of such property without due process of law, contrary to the Fifth Amendment to the Constitution of the United States, and that none of the findings of the Commission hereinafter challenged is based upon the substantial evidence required by the Natural Gas Act, and each is contrary to the evidence and contrary to law.

2.

The Commission erred in paragraph 7, 8, 9 and 10 of said Order in finding that Petitioner is engaged in the transportation, sale and delivery of natural gas, subject to the jurisdiction of the Commission, by reason of sales made to Mississippi River Fuel Corporation, Southern Natural Gas Company, and United Gas Pipe Line Company for the account of Memphis Natural Gas Company,

and erred in finding that such natural gas is transported and sold within the meaning of the Natural Gas Act.

3.

The Commission erred in failing to find that the sale and delivery of natural gas in the Monroe Field to Mississippi River Fuel Corporation, Southern Natural Gas Company, and United Gas Pipe Line Company for the account of Memphis Natural Gas Company in each instance is exempt from the jurisdiction of the Commission under the Natural Gas Act by reason of the fact that said gas is produced and gathered in the Monroe Field and deliveries are made in said field as a part of Petitioner's business of the production and gathering of natural gas in said Monroe Field.

Petitioner says that the sale and delivery of natural gas made to each of said companies, in each instance, is made in a method identical with the method employed by Columbian Fuel Corporation in making sales of natural gas which the Commission held were made in the production and gathering of natural gas and therefore exempt from the Commission's jurisdiction by reason of the provisions of Section 1 (b) of the Natural Gas Act. (See In Re: Columbian Fuel Corporation, 35 P. U. R. (N. S.) 3.)

In failing to make a similar finding in respect of the sales of natural gas to each of said companies, the Commission has made an arbitrary distinction and one without legal justification, and in so doing has deprived Petitioner of its property contrary to the Due Process Clause of the Fifth Amendment to the Constitution of the United States.

4.

The Commission erred in its finding made in its Opinion, commencing at the bottom of page 5 and extending through to the middle of page 9, wherein the Commission found that Petitioner does not consider its transportation lines as something separate from its field lines and that natural gas which Interstate receives from other producers in the Monroe Field is then transported by Interstate together with the gas which it produces and gathers, and erred in finding that the movement of this commingled gas to the points of sale and delivery to the three pipe line companies named constitutes a transportation and sale of natural gas in interstate commerce within the jurisdiction of the Commission.

29.

The Commission erred in Paragraph A of said Order in ordering Petitioner to decrease its rates and charges to reflect a reduction in rates which, applied to the 1941 volume of sales, will be not less than $1,100,345 annually, revised by Order entered June 9, 1943 to $1,091,583, and erred in Paragraph B in ordering Petitioner to file schedules of rates and charges to reflect said reduction.

30.

The Commission erred in Paragraph D of said Order in ordering Petitioner to cease and desist from making, demanding, or receiving any rates and charges on or after the effective date of the new schedules of rates

and charges required to be filed, which do not reflect the reductions ordered in said Order.

* * * * * *

Wherefore, Petitioner prays:

(a) That a copy of this petition forthwith be served upon some member of Respondent, Federal Power Commission, in pursuance of Section 18 (b) of the Natural Gas Act (Act of June 21, 1938, c556, 52 Stat. 833; Sec. 717r (b), Title 15 U. S. C. A.), and that all parties respondent herein be served with a copy of said petition.

(b) That Respondent, Federal Power Commission, be required, in conformity with said Act, to certify and file with the Court a transcript of the record upon which the Order now sought to be reviewed was entered, including the testimony, evidence, exhibits, pleadings, opinions, findings, conclusions and orders of said Respondent in the two dockets above referred to.

(c) That this Court review said proceedings, and that said Order of April 27, 1943, as modified, be reversed, vacated, set aside and held for naught.

(d) That, pending such review, and until final determination of such proceedings, an Order be entered staying the operation and effect of the Federal Power Commission's Order dated April 27, 1943, as modified, pending the judicial review of said proceedings upon such terms and conditions as may be prescribed by the Court.

(e) That this Court exercise its jurisdiction over the parties and subject matter of this petition, and grant to

Petitioner such other and further relief in the premises as the rights and equities of the cause may require.

INTERSTATE NATURAL GAS COMPANY, INCORPORATED,
Petitioner.

ORDER TO FILE PETITION FOR REVIEW.

27 Filed June 14, 1943.

In the United States Circuit Court of Appeals for the Fifth Circuit.

Interstate Natural Gas Company, Incorporated, Petitioner;

vs. No. 10,701.

Federal Power Commission, Louisiana Public Service Commission, City of New Orleans, Louisiana, City of Baton Rouge, Louisiana, Respondents.

A petition for review of the Order of the Federal Power Commission, entered April 27, 1943, in consolidated proceedings entitled "Louisiana Public Service Commission, Complainant, v. Interstate Natural Gas Company, Incorporated, Defendant, Docket No. G-132"; and "In the Matter of Interstate Natural Gas Company, Incorporated, Docket No. G-149", having been presented to this Court;

It Is Ordered that said petition be filed and docketed as of June 14, 1943;

And it is further ordered that a copy of this order and said petition be forthwith served upon the Federal Power Commission, and that said Federal Power Commission, upon service of such copies, forthwith certify and file in this Court a transcript of the entire record in the proceeding, in conformity to Rule 38 of this Court.

(Signed) E. R. HOLMES,
United States Circuit Judge.

New Orleans, Louisiana, June 14, 1943.

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28 ORDER GRANTING STAY.

Filed June 14, 1943.

In the United States Circuit Court of Appeals for the Fifth Circuit.

Interstate Natural Gas Company, Incorporated, a corporation, Petitioner,
v. No. 10,701.
Federal Power Commission, Louisiana Public Service Commission, City of New Orleans, Louisiana, City of Baton Rouge, Louisiana, Respondents.

This matter comes before the Court upon the petition of Petitioner, Interstate Natural Gas Company, Incorporated, to review an Order of the Federal Power Commission and the prayer therein for a stay of the Order of said Commission entered April 27, 1943, as modified by orders entered May 11, 1943 and June 9, 1943, in causes G-132 and G-149 on the docket of said Commission pending review of said Order by this Court, a copy of which Order is attached to said petition as Exhibit

"A", and modifications thereof are attached to said petition as Exhibits "B" and "C".

It appearing that each of the Respondents herein have been notified of this hearing and counsel for each has been furnished with a copy of the petition filed herein and all parties having been heard, the Court hereby orders that said Order of the Federal Power Commission, as modified, be and the same hereby is stayed and suspended until the further Order of this Court, upon the conditions following:

(1) The monthly difference between payments to Petitioner under existing rates or arrangements and those required under the Order of the Commission shall be promptly paid into the registry of this Court under the provisions of Sec. 995 of the Revised Statutes of the United States (28 U. S. C. A. 851). For gas billed in any particular month the deposit shall be made not later than the 30th day of the succeeding month, the first deposit to be made not later than July 30th, 1943 for the month of June 1943.

The amounts so deposited shall remain on deposit subject, however, to the further Order or Orders of this Court to be returned to such ultimate consumers of gas, or other persons to whom the Court shall find the same should be returned, as contemplated by the provisions of the Natural Gas Act. Upon receipt of each deposit the Clerk of this Court shall notify the Federal Power Commission stating the amount of such deposit and the total amount then on deposit in said fund.

(2) The entire expenses of impounding these funds shall be borne by Petitioner.

(3) No interest shall be charged Petitioner upon such impounded funds unless allowed upon application hereafter made by Respondents or any of them. Such future applications may be made only

(a) if and when Petitioner fails to prosecute this error proceeding with due diligence, or

(b) if and when this Court shall enter its decree and order sustaining the above Order of the Commission and shall deny any petition for rehearing which may be filed thereto.

Any interest allowed hereafter shall be at such rate as will be fixed by further Order of the Court.

(4) Full power and jurisdiction is reserved to cancel or modify this Order and to enter any other orders (with or without application of the parties) to protect or to promote the rights and interests of the parties to this litigation and of the ultimate consumers or other parties financially interested in the impounded funds.

It Is Further Ordered that the Clerk of this Court is directed to transmit a copy of this Order to each of the parties to this proceeding or to their counsel.

Dated: June 14, 1943.

OK: As to form.

(Signed) EDW. H. LANGE,
Attorney for Respondent,
Federal Power Commission.

(Signed) NAT B. KNIGHT, JR.,
La. Pub. Serv. Comm.

(Signed) EDWARD RIGHTOR,
(Signed) FRANCIS P. BURNS,
(Signed) WARREN O. COLEMAN,
Attorneys for The City of New Orleans.
(Signed) ALDEN T. SHOTWELL,
(Signed) HENRY P. DART, JR.,
(Signed) H. GRADY PRICE,
Attorneys for Petitioner.

Approved for the Court:
(Signed) E. R. HOLMES,
Presiding Judge.

31

PETITION.

Federal Power Commission. Received May 23, 1939.

Before the Federal Power Commission.

Docket No. G-132.

To the Federal Power Commission:

Your petitioner, Louisiana Public Service Commission, pursuant to Section 13 of the Natural Gas Act of 1938, respectfully makes the following representations:

1.

That the Louisiana Public Service Commission is a commission organized and existing under Article VI of the Constitution of the State of Louisiana, and is a State Commission within the meaning of Section 13 of the

Natural Gas Act of 1938; and that its principal office is in the State Capitol at Baton Rouge, Louisiana.

2.

That Interstate Natural Gas Company, Incorporated (hereinafter called Interstate) is a corporation organized and existing under the laws of the State of Delaware; that its principal office in the State of Delaware is at 7 West Tenth Street, Wilmington, Delaware, and that its principal office otherwise is at 30 Rockefeller Plaza, New York City; that it is authorized by the States of Louisiana and Mississippi to do business in those States; that it owns leases and gas rights for approximately 60,000 acres of land in the Monroe gas field of northeastern Louisiana; that it also owns a pipe line approximately 171.61 miles in length, constructed primarily of 22 inch pipe, extending from Fowler, Louisiana, in a southeasterly direction through Louisiana a distance of approximately 91.17 miles to the Mississippi River, thence across said river into the State of Mississippi at a point approximately three miles below the city of Natchez, thence in a southeasterly direction through Mississippi a distance of approximately 43.92 miles to the boundary between Mississippi and Louisiana, thence in a southerly direction through Louisiana a distance of approximately 36.52 miles to North Baton Rouge; that it also owns producing equipment, field lines, compressor stations and other property concerned with the production and transportation of natural gas; that it produces and purchases natural gas in the Monroe gas field and transports and sells natural gas partly in intrastate commerce within the State of Louisiana and partly in interstate commerce; that the natural gas which it sells both in intrastate and in interstate commerce is largely for resale to the public; and that it is a natural gas company engaged in part

in the transportation of natural gas in interstate commerce and the sale in interstate commerce of such gas for resale, within the meaning of Section 2 (6) of the Natural Gas Act.

3.

That the authorized capital stock of Interstate, according to its certificate of incorporation, is one million shares without par value; that 952,953 shares are outstanding; that 514,266 or approximately 54 percent of the outstanding capital shares are owned by Standard Oil Company of New Jersey and 164,807 shares or approximately 17 percent are owned by Columbian Carbon Company.

4.

That Interstate was cited by this Commission in June, 1937, in Case No. 2720, Louisiana Public Service Commission vs. Interstate Natural Gas Co., Inc., in re Rates, Charges and Practices for Gas Service within the State of Louisiana; that on June 26, 1937, Interstate filed with this Commission an exception to its jurisdiction. Hearings were held on November 28, 1938, and January 19, 1939, at which testimony and argument on jurisdiction were heard; a brief for the company was also filed by its attorneys, contending that although the Louisiana Public Service Commission has jurisdiction over common carrier pipe lines and public utilities, Interstate is legally neither a common carrier pipe line nor a public utility, and contending also that its business is so predominantly interstate in character as to leave this Commission without jurisdiction. On February 1, 1939, this Commission issued its Order No. 2090, finding that Interstate is a public utility with both interstate and intra-

state business and that as to the latter it is subject to our jurisdiction. (Copy of Order No. 2090 is attached hereto.)

5.

That in the twelve-month period ending June 30, 1938 (or, in some instances, the twelve-month period from June 26, 1937 to June 25, 1938), according to Interstate Exhibit B-29 in Case No 2720, previously referred to, which Exhibit constitutes Interstate's answer to the questionnaire authorized by your honorable Commission's Order No 51, Interstate produced 24,151,967 M cu. ft. (24,151,967,000 cubic feet) of natural gas, in the Monroe gas field; that it purchased 20,055,782 M cu. ft. from other companies or individuals in the Monroe field; that it received from United Gas Pipe Line Company for transportation 20,652,127 M cu. ft. at Fowler, La., in the Monroe field (of which it appears that 7,008,775 M cu. ft. was purchased from Interstate) and 1,622,000 M cu. ft. at Alto, La., in the Richland field, or a total of 22,274,127 M cu. ft., and after transporting said gas delivered the same to United Gas Pipe Line Co. at Scotland, La., near Baton Rouge, from which point a pipe line of United Gas Pipe Line Co. extends to New Orleans, La.; that Interstate sold 44,564,493 M cu. ft. to 35 customers, including other natural gas companies, local distributing companies, municipalities, public institutions and industrial companies; that out of said 44,564,493 M cu. ft. the following quantities were for ultimate public consumption:

Account	M Cubic Feet	Point of Delivery
Arkansas-Louisiana Gas Co.	318,162	Monroe Field
Mississippi River Fuel Cor.	5,095,411	Monroe Field
Southern Natural Gas Co.	5,153,629	Monroe Field
United Gas Pipe Line Co.:		
Dixie Gulf Gas Co.	1,674,544	Monroe Field
Memphis Natural Gas Co.	3,208,420	Monroe Field
United Gas Pipe Line Co. (account New Orleans)	7,008,775	Monroe Field
Louisiana Power & Light Co.	40,955	Wisner, Gilbert & Ferriday, La.
Peck Gas Co.	4,062	Peck, La.
Sicily Island Gas Co.	10,595	Sicily Island, La.
Town of Vidalia	12,463	Vidalia, La.
Mississippi Power & Light Co.	174,723	Natchez, Miss.
Buffalo Gas Co.	1,255	Wilkinson, Miss.
Town of Woodville	19,836	Woodville, Miss.

Town of Jackson	11,107	Jackson, La.
Town of Zachary	2,978	Zachary, La.
Baton Rouge Electric Co.	868,429	Baton Rouge, La.
Suburban Public Service, Inc.	14,004	Baton Rouge, La.
Village of Gonzales	7,012	Gonzales, La.
Reserve Public Utilities Corp.	12,127	Reserve, La.
LaPlace Gas & Fuel Co.	5,003	LaPlace, La.
Norco Gas & Fuel Co.	12,883	Norco & Destrehan, La.
	23,656,373	

The 23,656,373 M cu. ft. of gas which is stated to be for ultimate public consumption constitutes 53% of the total of 44,564,493 M cu. ft. delivered. It should be noted further that 8,558,553 M cu. ft. not included above was sold to the Louisiana Steam Generating Corporation at Baton Rouge, as fuel for the generation of steam and electric energy; much of the electric energy thus generated was sold to affiliated companies which distribute this energy to the general public in Baton Rouge and elsewhere. Since 1937 Louisiana Steam Generating Company, Baton Rouge Electric Company and other companies have been consolidated into the Gulf States Utilities Company. It should further be noted that in addition to the 53% or more that was ultimately used for public consumption, out of the 44,564,493 M cu. ft. that was disposed of to the 35 customers as aforesaid, a large part of the 22,274,127 M cu. ft. that was transported for the account of United Gas Pipe Line Co. was for ultimate public consumption, in New Orleans or elsewhere, in addition to the 7,008,775 M cu. ft. purchased from Interstate by United, account New Orleans, which is apparently included in the 22,274,127 M cu. ft. transported to New Orleans or vicinity. Thus the business of Interstate is predominantly the furnishing and transporting of natural gas for resale to the public.

6.

That of the 44,564,493 M. cu. ft. sold to the 35 customers as aforesaid, the total amount alleged to have been ultimately sold outside of the state of Louisiana was 15,673,475 M cu. ft. or approximately 35 per cent, as follows:

Account	M. Cu. Feet	Point of Delivery
Arkansas-Louisiana Gas Co.	318,162	Monroe Field (La.)
Mississippi River Fuel Corp.	5,095,411	Monroe Field (La.)
Southern Natural Gas Co.	5,153,629	Monroe Field (La.)
United Gas Pipe Line Co.:		
Dixie Gulf Gas Co.	1,674,544	Monroe Field (La.)
Memphis Natural Gas Co.	3,208,420	Monroe Field (La.)
Mississippi Power & Light Co.	174,723	Natchez, Miss.
Buffalo Gas Co.	1,255	Wilkinson, Miss.
Town of Woodville	19,836	Woodville, Miss.
Danciger Oil & Refineries, Inc.	20,821	Wilkinson Co., Miss.
E. R. Owen	6,674	Wilkinson Co., Miss.
	15,673,475	

When there is added to the 44,564,493 M cu. ft. sold the 22,274,127 M cu. ft. transported for United, less the 7,008,775 M cu. ft. of this quantity which is apparently included in the 44,564,493 M cu. ft. of sales, the total gas handled by Interstate is seen to have been 59,829,845 M cu. ft. in the twelve-month period ending with June, 1938, of 15,673,475 M cu. ft. or approximately 26 percent was alleged to be for ultimate consumption outside of Louisiana.

7.

That the total quantity of natural gas transported by Interstate's main pipe-line in the twelve-month period ending with June, 1938, not including 22,458,941 M cu. ft. delivered directly in the Monroe field to Arkansas-Louisiana Gas Co., Mississippi River Fuel Corp., Southern Natural Gas Co. and United Gas Pipe Line Co. (for Dixie Gulf, Memphis and New Orleans) as set forth under Section 4 above, appears to have been 44,379,679 M cu. ft. divided as follows:

(a) Delivered in Louisiana before the pipe-line crosses the Mississippi River:

Operation of Richland Receiving Station, Alto, La.	3,305 M cu. ft.
United Gas Pipe Line Co. (for purging field lines, Ouachita Parish)	437 M cu. ft.
Louisiana Power & Light Co. (for Wisner, Gilbert and Ferriday)	40,955 M cu. ft.
Peck Gas Co.	4,062 M cu. ft.
Sicily Island Gas Co.	10,595 M cu. ft.
J. M. Jones Lumber Co., Ferriday	4,800 M cu. ft.
Town of Vidalia	12,463 M cu. ft.
Whitehall Plantation, Vidalia	1,607 M cu. ft.
	78,224

(b) Delivered in Mississippi:

Mississippi Power & Light Co. ..	174,723 M cu. ft.
Buffalo Gas Co.	1,255 M cu. ft.
Town of Woodville	19,836 M cu. ft.
Danciger Oil & Refineries, Inc. ...	20,821 M cu. ft.
E. R. Owen	6,674 M cu. ft.
	223,309

(c) Delivered in Louisiana after passing through Mississippi:

Town of Jackson	11,107 M cu. ft.
East Louisiana State Hospital, Jackson	286,079 M cu. ft.
Town of Zachary	2,978 M cu. ft.
Baton Rouge Electric Co.	868,429 M cu. ft.
Standard Oil Co. of La., Baton Rouge	5,663,149 M cu. ft.
Ethyl Gasoline Corp., Baton Rouge	445,238 M cu. ft.
Solvay Process Co., Baton Rouge .	2,731,054 M cu. ft.
Louisiana Steam Generating Corp., Baton Rouge	8,558,553 M cu. ft.
United Gas Pipe Line Co., Baton Rouge	22,274,127 M cu. ft.
Suburban Public Service, Inc.	14,004 M cu. ft.
Village of Gonzales	7,012 M cu. ft.
DeHass-Eby Lumber Co., Sorrento	556 M cu. ft.
Colonial Sugars Co., Gramercy ...	984,347 M cu. ft.
Godchaux Sugars, Inc., Reserve ...	2,201,500 M cu. ft.
Reserve Public Utilities Corp.	12,127 M cu. ft.
La Place Gas & Fuel Co.	5,003 M cu. ft.
Norco Gas & Fuel Co.	12,883 M cu. ft.
	44,078,146

Interstate's main pipe-line thus delivered in the State of Louisiana 78,224 M cu. ft. of gas which did not leave the state, and 44,078,146 M cu. ft. which left the state but re-entered it, and delivered 223,309 M cu. ft. in the State of Mississippi, together 44,379,679 M cu. ft.

8.

That Interstate's total capital investment at December 31, 1937, according to its balance sheet, was $19,588,-597.83; that amortization, depletion and depreciation reserves applicable to this investment amount to $7,377,-293.20, leaving a net investment of $12,211,304.63 in fixed capital, per balance sheet; that the net operating income reported by Interstate for the year 1937 was $2,-379,916.90, after deductions for taxes, depreciation, depletion and amortization (including $44,279.08 for amortization of unoperated acreage); that such net operating income constitutes a return of 12.1% on the gross undepreciated investment and 19.5% on the net investment, per balance sheet; that the capital investment includes unoperated and surplus property and appears otherwise to be excessive, from a preliminary investigation; and that the percentages of return would be greater if the investment and expenses were properly adjusted.

9.

That the depreciation deducted in arriving at the net operating income for 1937 was $772,862.70, and that this constitutes nearly 4.9% of the gross investment in plant and equipment, per balance sheet.

10.

That dividends on common stock in 1937 amounted to $2,477,677.80, at the rate of $2.60 per share of stock, and 38% on the book value of the common stock, which is

stated as $6,529,530 or approximately $6.85 per share. That the dividends reported by Moody's Public Utilities, up to December 15, 1938, have been as follows: 1930, 25¢; 1931, 25¢; 1936, $1.75; 1937, $2.60; 1938, $1.75; a total of $6.60. That unappropriated earned surplus at December 31, 1937, was stated to be $5,327,131.40 (after payment of the 1937 dividend), or over 81% of the book value of the stock. That over the ten-year period ending July 1, 1936, Interstate retired a bond issue of $11,500,000, dated July 1, 1926, by annual reductions; and that following the retirement of these bonds Interstate began the payment of large dividends upon the common stock.

11.

That inasmuch as the business of Interstate is both intrastate and interstate in character, and that as to the intrastate portion the Louisiana Public Service Commission has jurisdiction and as to the interstate portion the Federal Power Commission has jurisdiction, it is desirable and feasible that these two commissions cooperate in determining proper rates to be charged by Interstate to other utilities and to municipalities for the transportation and for the sale of natural gas for resale to the public; and that it is necessary for the proper and effective regulation of local gas distributing utilities in Louisiana that such proper rates or gate prices of natural gas for resale be determined, as provided for in Sections 5 (a) and 17 of the Natural Gas Act of 1938.

12.

That the rates and charges for natural gas and its transportation charged by Interstate to other public utilities and municipalities are unjust and unreasonable.

Wherefore, your petitioner requests:

1.

That Interstate be immediately ordered by your honorable Commission to appear and show cause why the rates charged by Interstate to other public utilities and municipalities in Louisiana for the transportation or sale of natural gas in interstate commerce should not be reduced.

2.

That an order be entered setting fair, reasonable and just rates for the transportation or sale of natural gas in interstate commerce by Interstate to other public utilities and municipalities in Louisiana.

Dated at Baton Rouge, Louisiana, the 10th day of May, 1939.

LOUISIANA PUBLIC SERVICE COMMISSION,

(Seal) By P. A. FRYE,
(P. A. Frye)
Secretary.

* * * * * *

Exhibit—Louisiana Public Service Commission Order #2090, dated 2/1/39, omitted from the printed record, pursuant to Joint Stipulation of Counsel as to Printing Record, copied at page 1, and in its place the following notation is made pursuant to said Stipulation as follows:

"Copy of Order No. 2090 in proceeding No. 2720 attached to Complaint is same as Exhibit No. 1, pages 1168 through 1174 hereinafter printed."

* * * * * *

50 ANSWER OF DEFENDANT, INTERSTATE NATURAL GAS COMPANY, INCORPORATED.

United States of America.

Federal Power Commission.

Louisiana Public Service Commission,
vs. Docket No. G-132.
Interstate Natural Gas Company, Incorporated.

Interstate Natural Gas Company, Incorporated, defendant herein, appearing specially for the purpose of denying jurisdiction of the Federal Power Commission (referred to herein as the "Commission") over defendant's rates and charges, make the following special plea:

I.

Defendant was organized under the laws of the State of Delaware on April 1, 1926 for the purpose of acquiring natural gas rights and properties in the Monroe gas field in northern Louisiana, drilling wells, producing, buying and selling natural gas, and constructing a pipe line from the Monroe field to the vicinity of Baton Rouge, Louisiana, for the primary purpose of supplying natural gas to a large petroleum refinery situated near Baton Rouge. Defendant was organized as a private business enterprise and not as a public utility, common carrier or other character of public service corporation. In the Certificate of Incorporation, issued by the State of Delaware, there is the following provision:

"Provided that nothing herein shall be construed to authorize the corporation to transport natural gas for

others as a carrier for hire or to sell natural gas for others as a carrier for hire, or to sell natural gas except by special contract, or to constitute the corporation a common purchaser of natural gas or a public utility corporation."

Since 1926 defendant has been engaged in the natural gas business and at no time during its existence has it operated as a common carrier or held itself out as willing or able to serve the public generally with natural gas, or to sell gas to any customers other than those with whom it has private contracts, but has operated its business as a private enterprise consisting of the sale of a commodity to specially selected customers under private contracts. Defendant has never exercised or attempted to exercise any of the rights or privileges of a public utility or a common carrier nor held itself out as having the right to any such rights or privileges. It has never claimed to possess and has never attempted to exercise the power of eminent domain, but has acquired all of its property by purchase under private contracts.

Defendant says that its enterprise from its inception has always been strictly private in character and that no part of it is affected with a public interest in the sense that the Congress would have jurisdiction, power or authority to enact legislation purporting to authorize said Commission to regulate the prices which it charges for natural gas which it sells.

Defendant says that all of the contracts under which it sells gas and which are referred to in the complaint filed herein by Louisiana Public Service Commission (herein referred to as "Louisiana Commission"), were entered into prior to the enactment of the Natural Gas Act and prior to any legislative declaration by the Con-

gress that the business of transporting and selling natural gas for ultimate distribution to the public is affected with a public interest and that Federal regulation in respect thereof is necessary in the public interest. Each of said contracts was made for a specific period of time and without any obligation on the part of either party to sell or buy natural gas after the expiration of such contract.

Defendant denies that the Commission has any jurisdiction over any transaction or operation of defendant and challenges and denies any jurisdiction, power or authority of the Commission to enter any order attempting to change, modify or set aside any charge or price at which defendant is selling natural gas or to substitute and prescribe any different charge or price for which defendant shall sell natural gas, on the ground that defendant is not a public utility company, has not devoted its property to the public service, but is engaged in selling a commodity at wholesale to selected customers under private contracts, which business is not affected with a public interest justifying regulation of a public utility character. If the Natural Gas Act is interpreted to confer on this Commission any jurisdiction, power or authority to regulate or change the rates charged by defendant, and particularly the rates fixed in defendant's contracts entered into prior to June 21, 1938, any rules, regulations or orders promulgated or entered by the Commission thereunder will be null, void and unconstitutional, in that they would deprive defendant of its vested rights and its property and liberty of contract without due process of law, in violation of the Fifth Amendment to the Constitution of the United States.

II.

Subject to the ruling of this Commission and of the Courts on the foregoing special plea and without waiving

but still insisting on the same, for its answer to the complaint filed herein defendant states as follows:

(1) Defendant admits the statements in paragraph 1 of the complaint, but says that under the appropriate constitutional and statutory provisions of the State of Louisiana, said Louisiana Commission has no right or authority whatsoever to take the action requisite toward filing this petition or complaint and says that in so doing said Louisiana Commission has acted without any constitutional or statutory authority whatsoever. Defendant further says that said Louisiana Commission has no constitutional or statutory authority to hold joint hearings or make joint investigations with the Federal Power Commission.

(2) In respect of the allegations of paragraph 2 of the complaint, defendant says that its principal office in the State of Delaware is at number 100, instead of number 7, West Tenth Street, Wilmington, Delaware, and that its leases and gas rights constitute approximately 54,000 acres instead of 60,000 acres. Defendant denies that the natural gas which it sells from its pipe line is largely for resale to the public, and denies that it is a natural gas company within the true and correct meaning of the Natural Gas Act. Except as above stated, defendant admits the allegations of said paragraph 2.

(3) Defendant admits the statements contained in paragraph 3 of the complaint.

(4) Defendant admits the statements contained in paragraph 4 of the complaint.

Defendant says that subsequent to the issuance of the order in said Cause No. 2720 before the Louisiana Com-

mission, an application for rehearing was filed by this defendant in that matter, which application for rehearing was overruled on May 25, 1939. Thereafter, on May 30, 1939, this defendant filed in the United States District Court for the Eastern District of Louisiana, Baton Rouge Division, a petition for a restraining order and injunction seeking to enjoin said Louisiana Commission and the members thereof from carrying out and enforcing or attempting to carry out and enforce the order referred to in the complaint and from taking any further proceedings in Case No. 2720. Defendant says that after notice and hearing, a restraining order was granted by said Court and entered on May 31, 1939, a copy of which is attached hereto and marked Exhibit "A". By said Order the Louisiana Commission and the members thereof were ordered to show cause on June 9, 1939, why an interlocutory or preliminary injunction should not issue as prayed for in the petition. Defendant says that on June 7, 1939, said Louisiana Commission moved said United States District Court for a continuance of the hearing on defendant's petition, under the condition that the restraining order issued on May 31, 1939, should remain in full force and effect until a completion of such hearing and further order of the Court, and there was entered in said cause an order postponing said hearing until after October 1, 1939, a copy of which order is attached hereto and marked Exhibit "B".

By reason of the foregoing facts defendant says that the jurisdiction of the Louisiana Commission over defendant or any part of defendant's business has not yet been determined, and that until a final judicial determination is made in the case above referred to, the Louisiana Commission has no legal right to proceed with any investigation of this defendant's business, either through its own members, agents or employees, or by

seeking any action by the Federal Power Commission, or in any other manner. Defendant says that until a final decree is rendered in said Court proceeding, no steps whatsoever should be taken pursuant to this complaint.

(5) Defendant says that the quantities of gas referred to in paragraph 5 of the complaint are correct and that the quantities delivered to the customers named in said paragraph 5 are correct for the period in question.

With respect to the quantities of gas sold to the customers specifically listed in said paragraph 5, defendant says that the greater portion thereof consisted of gas sold in the field to pipe line companies, which companies transported said gas out of the State of Louisiana, and which gas was utilized by said pipe line companies in their own operations and sold for both domestic and industrial use. Defendant says that the quantity of gas stated to have been sold to Louisiana Steam Generating Corporation at Baton Rouge was sold directly to said corporation by defendant and the sale thereof is specifically excluded from the provisions of the Natural Gas Act by Section 1 (b) thereof. Defendant says that the quantity of natural gas which it sells in the State of Louisiana for resale in the State of Louisiana does not constitute the greater part of defendant's sales from its pipe line and that its business is not predominantly that of transporting and selling such natural gas for resale to the public in Louisiana.

(6) Defendant admits that the quantities of gas set forth in paragraph 6 are correct and that the quantities shown as being sold to the customers listed in paragraph 6 are correct for the period in question. Defendant says that of the amount stated as being consumed in Louisi-

ana, the greater part thereof is sold under contracts which are excluded from the provisions of the Natural Gas Act by Section 1 (b) thereof.

(7) Defendant admits the correctness of the quantities of gas set forth in paragraph 7 of the complaint and the quantities shown as being sold to the customers listed therein. Defendant says that the greater portion of the gas shown as being sold in Louisiana is sold under contracts which are excluded from the provisions of the Natural Gas Act by Section 1 (b) thereof.

(8) Defendant admits the figures which are set forth in paragraph 8 of the complaint as being from its balance sheet as of December 31, 1937, but denies the other allegations of said paragraph.

(9) Defendant admits that the charge which it made on its books in 1937 for depreciation is as stated in paragraph 9 of the complaint.

(10) Defendant admits that it has paid upon its common stock the amount of dividends set forth in paragraph 10 of the complaint, but denies that the book value of said stock is correctly stated therein. As appears by the statements in paragraph 10 of the complaint, no dividends were paid on defendant's common stock for the first ten years of its existence except the amount of 50¢, and when the total amount of dividends paid during the period of defendant's existence is computed it will be seen that there has been a wholly inadequate return on the common stock investment of the Company, having in mind the failure to pay any dividends on said common stock for such a long period of time. The total dividends per share paid in twelve years are $6.60 or 55 cents per share per year. Defendant

admits that it paid off and retired its bonded indebtedness as alleged.

(11) Defendant admits that a part of its business is intrastate in character and part is interstate in character, but denies all the other allegations of paragraph 11 of the complaint. As to the jurisdiction of the Federal Power Commission and the Louisiana Commission over the prices which defendant charges for natural gas which it sells, defendant refers to the allegations and denials heretofore set forth in this answer in its special plea, and in Part II, Paragraphs (1) and (4).

(12) Defendant denies the allegations of paragraph 12 of the complaint.

Wherefore, defendant prays that its objection to the jurisdiction of the Commission hereinabove set forth be maintained and that the complaint be dismissed; and in the alternative and with full reservation of all of its rights defendant prays that no investigation, hearing or other action be taken in this matter until after the final determination of the legal action instituted by the Interstate Natural Gas Company, Incorporated, against the Louisiana Commission now pending in the United States District Court for the Eastern District of Louisiana, in Cause No. 38 of the docket of said Court, and further prays that said complaint be dismissed; and for such further orders as the nature of the case and justice may require.

60 EXHIBIT "A".

United States District Court for the Eastern District of Louisiana, Baton Rouge Division.

Interstate Natural Gas Company, Incorporated

vs.

Louisiana Public Service Commission, Wade O. Martin, Chairman, James P. O'Connor, Commissioner, John S. Patton, Commissioner.

Civil Action File No. 38.

Upon reading the verified petition of plaintiff herein, and it appearing from the facts shown by the verified petition that before notice can be served and a hearing had on plaintiff's application for an interlocutory or preliminary injunction herein or on plaintiff's application for a restraining order, immediate and irreparable injury, loss and damage will result to it, to-wit, that the Louisiana Public Service Commission, Wade O. Martin, Chairman, James P. O'Connor and John S. Patton, members thereof, will proceed with the examination of petitioner's property, books, records and other documents; will incur large costs and expenses, which will in turn be assessed by the Louisiana Public Service Commission against petitioner; will enter upon the premises of petitioner and there interfere with and disrupt the orderly operation of petitioner's business and affairs, and petitioner will be compelled to employ valuation engineers, geologists, accountants and other experts for the purpose of preparing for the hearing now being threatened by the Louisiana Public Service Commission, at a large expense to petitioner, all of which costs and expenses will be irrecoverable, useless and futile should it be ultimately held that the Louisiana Public Service Commis-

sion has no jurisdiction, power or authority over petitioner to conduct the examination and regulation now being threatened; and further considering that the failure on the part of petitioner to pay any bill or statement hereafter certified to it by the said Commission will subject petitioner to the payment of severe penalties and considering that the orders of the Commission were issued without notice, and further considering that the failure on the part of petitioner to submit to the examination and regulation now threatened by the Louisiana Public Service Commission will subject petitioner to the risk of severe, recurring and cumulative penalties from which petitioner would have no appeal, and likewise subject petitioner to the risk of having its charges and rates fixed and determined upon the Commission's evidence alone;

Now, Therefore,

It Is Ordered, Adjudged And Decreed, that the defendants, Louisiana Public Service Commission, Wade O. Martin, Chairman, James P. O'Connor and John S. Patton, members thereof, and each of them, and their respective successors in office, their agents, representatives, and other employees, and all persons acting under their authority, be, and each of them, are hereby restrained and enjoined from carrying out and enforcing and attempting to carry out and enforce, the orders of the Louisiana Public Service Commission, dated June 14, 1937, February 1, 1939, May 25, 1939, and from collecting or attempting to collect from petitioner the expenses of such investigation and from proceeding further in Cause No. 2720 on the docket of the Louisiana Public Service Commission. This order shall become effective upon the giving of security by the plaintiff by filing a bond in the sum of One thousand ($1000) Dollars,

conditioned upon the payment of such costs and damages as may be incurred or suffered by any party who may be found to have been wrongfully enjoined or restrained thereby.

This restraining order will remain in force only until hearing and determination of the application for an interlocutory or preliminary injunction herein and shall expire within ten days after entry, unless within said time it is extended for a like period for good cause shown.

It Is Further Ordered, that a copy of this order, together with a copy of the verified petition of plaintiff herein, be served upon each of the defendants; and

It Is Further Ordered, by this Court that the defendants named in the petition, to-wit, Louisiana Public Service Commission, Wade O. Martin, Chairman, James P. O'Connor and John S. Patton, members thereof, do show cause before this Honorable Court, on the 9th day of June, 1939, at the hour of 10:00 o'clock, A. M., why an interlocutory or preliminary injunction should not issue as prayed for in said petition; and

It Is Further Ordered, that the Honorable Richard W. Leche, Governor of the State of Louisiana, and the Honorable David M. Ellison, Attorney General of the State of Louisiana, be notified of said hearing as the law directs.

And it appearing to the Court that said petition seeks an interlocutory or preliminary injunction restraining the Louisiana Public Service Commission, Wade O. Martin, Chairman, James P. O'Connor, and John S. Patton, members thereof, from carrying out or enforcing, or at-

tempting to carry out or enforce, the orders of the Louisiana Public Service Commission, dated June 14, 1937, February 1, 1939, May 25, 1939, and from collecting or attempting to collect from petitioner the costs and expenses of such investigation; and from proceeding further in Cause No. 2720 on the docket of the Louisiana Public Service Commission, on the ground that the Louisiana Public Service Commission and the members thereof are without jurisdiction to conduct said examination or to fix and determine the rates and charges of petitioner for the transportation and sale of gas on the ground that said order and further procedure in said case would be in violation of the United States Constitution, I do hereby call to my assistance to hear and determine at the hour and on the date hereinabove fixed said application for an interlocutory or preliminary injunction in said cause, the Honorables Rufus E. Foster and Joseph C. Hutcheson, Jr., Judges of the Circuit Court of Appeals for the Fifth Circuit of the United States.

This Order, done and signed at New Orleans, Louisiana, in the Eastern District of Louisiana, on this, the 31st day of May, A. D., 1939, at 10:00 o'clock A. M.

WAYNE G. BORAH,
Judge.

63 EXHIBIT "B".

United States District Court for the Eastern District of Louisiana, Baton Rouge Division.

Interstate Natural Gas Company, Incorporated

vs.

Louisiana Public Service Commission, Wade O. Martin, Chairman, James P. O'Connor, Commissioner, John S. Patton, Commissioner.

Civil Action File No. 38.

On motion of the Louisiana Public Service Commission, Wade O. Martin, chairman, James P. O'Connor, commissioner, and John S. Patton, commissioner, made defendants in the above entitled and numbered cause, appearing herein thru their counsel, David M. Ellison. attorney general of Louisiana, and Ellis C. Irwin, special assistant attorney general, and the Interstate Natural Gas Company, Incorporated, plaintiff, appearing herein thru its counsel, Shotwell & Brown, and Dart & Dart, and

On suggesting to the Court that the hearing of the rule for the interlocutory, or preliminary injunction prayed for by the petitioner herein has been set for June 9th, 1939, at 10 A. M.,

And on further suggesting to the Court that stipulations have been entered into on June 6th, 1939 by and between the plaintiff and defendants herein, wherein it is stipulated and agreed that the hearing of the rule for the interlocutory or preliminary injunction prayed for by the petitioner herein, which has been set for June 9th, 1939, at ten A. M., shall, with the permission of the

Court be postponed and continued until a future date in October or at such time thereafter as the Court might fix; and that should the Court grant such continuance the restraining order issued herein on June 1st, 1939, shall remain in full force and effect until the determination of the rule for the interlocutory or preliminary injunction in this cause shall be made by this Court, which stipulations are hereto attached;

It Is Ordered, Adjudged And Decreed, that the hearing of the rule for the interlocutory or preliminary injunction prayed for by the petitioner herein, which has been set for June 9th, 1939, at 10 A. M., shall be postponed and continued by consent of parties, until such time after October 1st, 1939, as will suit the convenience of the Court and counsel for parties herein, and the restraining order issued herein on June 1st, 1939, shall remain in full force and effect until the determination of the rule for an interlocutory or preliminary injunction in this cause shall be made by this Court.

New Orleans, Louisiana, June 7, 1939.

WAYNE G. BORAH,
Judge.

65 ORDER INSTITUTING INVESTIGATION.

United States of America.

Federal Power Commission.

Commissioners: Clyde L. Seavey, Chairman; Claude L. Draper, Basil Manly, John W. Scott. Leland Olds, not participating.

December 5, 1939.

In the Matter of:
Interstate Natural Gas Company, Incorporated.
Docket No. G-149.

It appearing to the Commission that:

(a) On May 23, 1939, the Louisiana Public Service Commission, a State commission within the meaning of the Natural Gas Act, filed with the Commission a complaint (Docket No. G-132) which alleges, in substance, among other matters, that the Interstate Natural Gas Company, Incorporated, is engaged in the transportation of natural gas in interstate commerce and in the sale of natural gas in interstate commerce for resale in Louisiana, and that its rates and charges for such transportation and sale are unjust and unreasonable, and requests the Commission, after a hearing, to fix the just and reasonable rates to be thereafter observed and in force in respect of such transportation and sale;

(b) It is necessary and proper, in the public interest, and to aid in the enforcement of the provisions of the Natural Gas Act that an investigation be instituted by the Federal Power Commission, on its own motion,

(1) to determine whether the Interstate Natural Gas Company, Incorporated, a corporation organized under the laws of the State of Delaware, having its principal office in the City of New York, New York, is a natural-gas company within the meaning of the Natural Gas Act; and (2) into and concerning all rates, charges, or classifications demanded, observed, charged, or collected by the Interstate Natural Gas Company, Incorporated, in connection with any transportation or sale of natural gas, subject to the jurisdiction of the Commission, and any rules, regulations, practices, or contracts affecting such rates, charges, or classifications;

The Commission, on its own motion, *orders* that:

An investigation of the Interstate Natural Gas Company, Incorporated, be and it is hereby instituted for the purpose of enabling the Commission:

(1) To determine with respect to the said Interstate Natural Gas Company, Incorporated, whether (a) it is a natural-gas company within the meaning of the Natural Gas Act; and whether, (b) in connection with any transportation or sale of natural gas subject to the jurisdiction of this Commission, any rates, charges, or classifications demanded, observed, charged or collected, or any rules, regulations, practices or contracts affecting such rates, charges, or classifications are unjust, unreasonable, unduly discriminatory or preferential; and

(2) If the Commission, after hearing has been had, shall find that the Interstate Natural Gas Company, Incorporated, is a natural-gas company within the meaning of the Natural Gas Act, and that any of its rates, charges, classifications, rules, regulations, practices or contracts, subject to the jurisdiction of this Commission,

are unjust, unreasonable, unduly discriminatory or preferential, to determine and fix by appropriate order or orders, just and reasonable, rates, charges, classifications, rules, regulations, practices, or contracts to be thereafter observed and in force.

By the Commission.

LEON M. FUQUAY,
Secretary.

* * * * * *

ORDER CONSOLIDATING PROCEEDINGS FOR PURPOSE OF HEARING AND FIXING DATE OF HEARING.

70 United States of America.

Federal Power Commission.

Commissioners: Leland Olds, Chairman, Claude L. Draper, John W. Scott and Clyde L. Seavey. Basil Manly not participating.

May 12, 1942.

In the Matter of:

Interstate Natural Gas Company, Incorporated.
Docket No. G-149.

Louisiana Public Service Commission, Complainant,
v. Docket No. G-132.
Interstate Natural Gas Company, Incorporated, Defendant.

It appearing to the Commission that:

(a) On May 23, 1939, Louisiana Public Service Commission, a State Commission within the meaning of the

Natural Gas Act, filed with the Commission a complaint (Docket No. G-132) alleging, among other matters, that Interstate Natural Gas Company, Incorporated, is engaged in the transportation of natural gas in interstate commerce and in the sale of natural gas in interstate commerce for resale in Louisiana and Mississippi, and that its rates and charges for such transportation and sale are unjust and unreasonable, and requesting the Commission, after a hearing, to fix just and reasonable rates to be thereafter observed and in force in respect of such transportation and sale;

(b) On December 5, 1939, the Commission, on its own motion, instituted an investigation of Interstate Natural Gas Company, Incorporated (Docket No. G-149) for the purpose of enabling the Commission to determine (1) whether the said company is a natural-gas company within the meaning of the Natural Gas Act, and (2) whether, in connection with any transportation or sale of natural gas subject to the jurisdiction of the Commission, any rates, charges, or classifications demanded, observed, charged, or collected, or any rules, regulations, practices, or contracts affecting such rates, charges, or classifications are unjust, unreasonable, unduly discriminatory or preferential; and if the Commission after hearing has been had shall find that the said company is a natural-gas company within the meaning of the Natural Gas Act, and that any of its rates, charges, classifications, rules, regulations, practices or contracts subject to the jurisdiction of the Commission are unjust, unreasonable, unduly discriminatory or preferential, to determine and fix by appropriate order or orders just and reasonable rates, charges, classifications, rules, regulations, practices or contracts to be thereafter observed and in force;

(c) The said order instituting an investigation was duly served upon Interstate Natural Gas Company, Incorporated;

The Commission *finds* that:

The above-entitled proceedings are related and the public interest would be served by consolidating them for hearing; and

The Commission *orders* that:

(A) Docket Nos. G-132 and G-149 be and they are hereby consolidated for purposes of hearing thereon;

(B) A public hearing in these proceedings be held commencing on June 15, 1942, at 9:45 o'clock a. m., in the Courtroom, Federal Building, Baton Rouge, Louisiana;

(C) Interested State Commissions may participate in the said hearing, as provided for in Section 67.4 of the Provisional Rules of Practice and Regulations under the Natural Gas Act.

By the Commission.

J. H. GUTRIDE,
Acting Secretary.

Order permitting Intervention of the City of New Orleans, La., entered 5/15/42, omitted from the printed record, pursuant to Joint Stipulation of Counsel as to Printing Record, copied at page 1.

Order changing place and date of hearing, omitted from the printed record, pursuant to Joint Stipulation of Counsel as to Printing Record, copied at page 1.

Designation of Trial Examiner Edward B. Marsh to preside at Hearing, filed 5/27/42, omitted from the printed record, pursuant to Joint Stipulation of Counsel as to Printing Record, copied at page 1.

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96 OPINION No. 91.

United States of America.

Federal Power Commission.

In the Matter of:

Interstate Natural Gas Company, Inc.
Docket No. G-149.

Louisiana Public Service Commission, Complainant,
v. Docket No. G-132.
Interstate Natural Gas Company, Inc., Defendant.

Appearances:

For Interstate Natural Gas Company, Inc.:
William A. Dougherty, Esq.,
C. W. Cooper, Esq.,
30 Rockefeller Plaza,
New York, N. Y.

Henry P. Dart, Jr., Esq.,
H. Grady Price, Esq.,
For Dart and Dart,
New Orleans, Louisiana.
Alden T. Shotwell, Esq.,
For Shotwell & Brown,
Monroe, Louisiana.

For the Louisiana Public Service Commission:
Honorable Wade O. Martin, Chairman,
Honorable John S. Patton, Commissioner,
Honorable Nat B. Knight, Commissioner,
P. A. Frye, Secretary,
Bertrand I. Cahn, Esq., Special Assistant Attorney General of Louisiana.

For the City of New Orleans:
William Bo[redacted]e, Esq., Assistant City Attorney,
Warren O. [redacted]eman, Esq.,
Edward Rightor, Esq.,
New Orleans, Louisiana.

For the City of Baton Rouge:
Roland C. Kizer, Esq., City Attorney,
Fred S. Le Blanc, Mayor,
S. A. Harris, Commissioner of Parks and Streets,
Jesse L. Webb, Commissioner of Finance.

For the Federal Power Commission:
Edward H. Lange, Esq.,
Caso March, Esq.,
Washington, D. C.

Opinion.

By the Commission:

History of the Proceedings.

These proceedings grew out of a complaint filed by the Louisiana Public Service Commission and were enlarged by the Commission's order of December 5, 1939, for an investigation of the reasonableness of all of the interstate wholesale rates and transportation rates of the Interstate Natural Gas Company, Incorporated, under the provisions of the Natural Gas Act.[1]

The complaint proceeding and the general investigation on the Commission's own motion were consolidated for the purposes of the hearing. Upon petition, the City of New Orleans and the City of Baton Rouge, Louisiana, were permitted to intervene in these proceedings.

Public hearings were held, pursuant to order and notice, at intervals during June and July of 1942 for a total of 8 days. Comprehensive evidence was presented including 1,000 pages of oral testimony and 103 exhibits. The evidence was presented by Interstate, the Louisiana Commission, the Cities of Baton Rouge and New Orleans, and by this Commission's staff. The short hearing and the concise record are attributable to the pre-hearing conferences held in accordance with the Commission's rules of procedure. Each party to these proceedings was cognizant of the issues and was afforded ample opportunity to present evidence. Briefs have been filed and the Commission, sitting *en banc*, heard oral argument.

[1] The term "interstate wholesale" when used in this Opinion means the sale of natural gas in interstate commerce for resale for ultimate public consumption for domestic, commercial, industrial, or any other use.

Jurisdiction.

Interstate owns and operates an integrated natural gas system consisting of 110 gas wells in the Monroe gas field located in northern Louisiana, pipe lines which gather the gas produced from its own wells, and gas purchased from other producers, and pipe lines which transport substantially all of that gas in interstate commerce to various points of sale and delivery in Louisiana and Mississippi.

Interstate's main pipe line transports gas south for approximately 172 miles from the Monroe field in Louisiana, through a part of Mississippi and then to Baton Rouge, Louisiana, where sales are made to the local distribution company for resale, and to the Standard Oil Refinery and other industrial consumers. Interstate also sells gas to United Gas Pipe Line Company near the Monroe field and transports that gas for United from that point to Baton Rouge, and then United transports it to New Orleans where it is sold for resale for ultimate public consumption. Along this main pipe line Interstate sells gas in Mississippi and Louisiana directly to one industrial consumer, to a State institution, and to distribution companies for resale. Most of the gas transported in interstate commerce through the main pipe line by Interstate is destined for the Baton Rouge and New Orleans markets.

Interstate concedes that its transportation of natural gas by means of its main pipe line and its sales for resale from that main pipe line (with minor exceptions) are subject to the jurisdiction of this Commission, and that it is a natural-gas company within the meaning of the Natural Gas Act.

Interstate also purchases gas in the University, La Pice and La Place fields south of Baton Rouge, transports that gas and delivers it to United at points along United's pipe line between Baton Rouge and New Orleans where the gas is commingled with gas flowing in interstate commerce. Some of this gas is then transported by United for Interstate for delivery to Interstate's industrial and wholesale customers between Baton Rouge and Destrehan, Louisiana; the remainder being sold to United for resale in the New Orleans market. Interstate and United Gas Pipe Line Company jointly own pipe lines which transport gas from wells in southern Louisiana, into United's Baton Rouge-New Orleans line and that gas is commingled with gas of interstate origin and augments the supply for the New Orleans market.

The jurisdictional dispute presented in these proceedings involves Interstate's sales of gas in northern Louisiana to the Mississippi River Fuel Corporation, to Southern Natural Gas Company, and to United Gas Pipe Line Company for the account of Memphis Natural Gas company. Mississippi River Fuel Corporation is an affiliate of Interstate; large blocks of voting stock of both Companies are owned by Standard Oil Company (N. J.) and the President of Mississippi is also President of Interstate. The evidence discloses that Interstate and its affiliates, Hope Producing Company and Southern Carbon Company, control a substantial portion of the gas acreage and production from the Monroe field. Union Producing Company, an affiliate of United Gas Pipe Line Company, also controls a large portion of the acreage and production from the Monroe field. The evidence also shows close contractual and operating arrangements between Interstate and United Gas Pipe Line Company that have extended over a period of many years.

It is clear from the evidence that as a practical operating matter Interstate does not consider its transportation lines as something separate from its field lines. Interstate's pipe lines are operated as a unit. A large portion of the gas, sold by Interstate in northern Louisiana to the three pipe line companies mentioned above, is purchased and received by Interstate from other companies operating in the Monroe field, which first gather and transport the gas to specified central delivery points for sale to Interstate. Interstate transports the gas which it buys from such companies in the Monroe field and commingles that gas with gas which it has produced and gathered in the Monroe field, and then transports this commingled gas to the points of sale and delivery in Louisiana to the Mississippi River Fuel Corporation, Southern Natural Gas Company, and United Gas Pipe Line company for the account of Memphis Natural Gas Company. The gas transported and sold by Interstate to these three pipe line Companies continues its flow in interstate commerce and, as an established course of business well known to Interstate, is destined for resale for ultimate public consumption in Memphis, St. Louis, Birmingham, Atlanta, and other markets outside Louisiana.

In resisting regulation by the Louisiana Public Service Commission, the Interstate Natural Gas Company successfully contended in a Federal Court that over 99% of its total sales of gas, which include sales made to the three pipe line Companies, were sales in interstate commerce and beyond the reach of the Louisiana Commission. *Interstate Natural Gas Co. v. Louisiana Public Service Commission*, 33 F. Supp. 50; 34 F. Supp. 980. Interstate does not now deny that the sales of natural gas to the three pipe line Companies constitute sales of natural gas in interstate commerce for resale, but it con-

tends that each of these sales constitutes a sale in the "production and gathering" of gas and falls within the claimed exemption stated in 1(b) of the Natural Gas Act. Section 1(b) of the Natural Gas Act provides:

"The provisions of this act shall apply to the transportation of natural gas in interstate commerce, to the sale in interstate commerce of natural gas for resale for ultimate public consumption for domestic, commercial, industrial, or any other use, and to natural-gas companies engaged in such transportation or sale, but shall not apply to any other transportation or sale of natural gas or to the local distribution of natural gas or to the facilities used for such distribution or to the production or gathering of natural gas."

The above-described sales to the three pipe line Companies come within the scope of the specific affirmative provisions of Section 1(b) of the Natural Gas Act and are clearly sales "in interstate commerce of natural gas for resale for ultimate public consumption for domestic, commercial, industrial, or any other use." It was such interstate wholesale sales which the United States Supreme Court had ruled were beyond the reach of the State commissions,[2] that Congress intended to regulate by the Natural Gas Act.

The negative language in Section 1(b) upon which the Interstate Company relies for its claimed exemption involving these sales provides that the Commission shall not have jurisdiction over "the production or gathering of natural gas." When the distinction between *produc-*

[2] H. R. Rep. No. 709, 75th Cong., 1st Sess., pp. 1-2; S. Rep. No. 1162, 75th Cong., 1st Sess., pp. 1-2; *Illinois Natural Gas Co. v. Central Illinois Public Service Co.*, 314 U. S. 498, 503-506; *Federal Power Commission v. Natural Gas Pipeline Co.*, 315 U. S. 575, 582; *Kentucky Natural Gas Corp. v. Pub. Serv. Comm.*, 28 F. Supp. 509, 512, aff. 119 F. (2d) 417.

tion and gathering of natural gas, and the *sale* of such gas in interstate commerce is kept in mind, effect is given to the Congressional objective.[3] The Commission is bound to obey the command of Congress to regulate these sales in interstate commerce for resale to the three pipe line Companies. Such is clearly the implication of the decision of the Circuit Court of Appeals in *Peoples Natural Gas Co. v. Federal Power Commission*, 127 F. (2d) 153; cert. den. 316 U. S. 700.

We conclude, therefore, that the transportation and the sale of gas by Interstate to Mississippi River Fuel Corporation, Southern Natural Gas Company, and United Gas Pipe Line Company for the account of Memphis Natural Gas Company constitute the transportation of natural gas in interstate commerce and the sale in interstate commerce of natural gas for resale for ultimate public consumption for domestic, commercial, industrial, and other uses, and that such transportation and sales are subject to the jurisdiction of this Commission.

Corporate and Financial History.

Interstate Natural Gas Company was organized in 1926 for the purpose of producing and transporting natural gas. The primary market to be served directly by Interstate was the refinery of the Standard Oil Company of Louisiana, and certain industrial companies south of Baton Rouge, Louisiana. Contracts also were made with other industrial consumers, distributing gas utilities and other natural gas pipe line companies.

The original securities issued were 600,000 shares of capital stock at $5.00 per share, or a total of $3,000,000

[3] For the distinction between production of a commodity and sales of such commodity in interstate commerce, see *Carter v. Carter Coal Co.*, 298 U. S. 238, 302-4.

(later increased to $6,529,530) and $11,500,000 of First Mortgage 10-Year, 6% Sinking Fund Gold Bonds.

Interstate has paid off its bonds, has paid cash dividends exceeding $10,000,000 and has accumulated a surplus of more than $5,800,000 in the period 1926 to 1941.

Control of the Interstate Company from its inception has been in the Standard Oil Company (N. J.) through the ownership of a majority of the capital stock.

We now proceed to the determination of the lawful rates within the scope of our statutory authority. This will include a determination of rate base, rate of return, operating revenues and expenses, allocation of cost of service and reasonable earnings for the future.

Rate Base.

Upon consideration of all aspects of this case in the light of our authority under the Natural Gas Act, we conclude that the rate base is the actual legitimate cost of the property (including construction work in progress) used and useful in furnishing service, less the existing depletion and depreciation, plus necessary working capital. We find that it is not necessary for the purposes of this case to investigate and ascertain any other facts in order to determine the proper rate base.

Interstate claimed a rate base of $19,167,290 which was composed of the actual legitimate cost of gas plant in service, less observed deterioration and accrued depletion, plus future capital additions, construction work in progress, and estimated working capital. Reproduction cost was not claimed as an element in the rate base determination. Instead, it was conceded that actual

legitimate cost was the proper starting point in that determination.

The allowable rate base is $15,583,975. We will now discuss the components thereof.

Actual Legitimate Cost.

There is no dispute as to actual legitimate original cost. It is agreed that this amounted to $21,387,159 at the end of 1941. That undisputed amount represents the actual outlay to establish the utility; it is the gross investment the owners have made in the gas plant in service.

Existing Depletion and Depreciation.

The evidence as to the existing depreciation and depletion (hereinafter referred to as depreciation) in the properties may be summarized as follows:

Company Witness	$ 3,845,619
Commission Staff	6,328,924
Books of Account	10,981,720

Interstate used the "observed deterioration" process to arrive at the figure of $3,845,619. In its previous decisions in the *Canadian River* and *Hope* cases, the Commission has dealt at length with the fallacy of the "observed deterioration" method of determining accrued depreciation. *Re Canadian River Gas Co.*, 43 P. U. R., (N. S.) 205, 218; *Cleveland v. Hope Natural Gas Co.*, 44 P. U. R. (N. S.) 1, 17. We have pointed out that it results in arbitrary conclusions, based on a consideration of

superficial evidence of physical deterioration only, while disregarding more important factors, such as the remaining life of the gas reserves, obsolescence and the economic life of the property. The method is inherently fallacious in that it confuses the appearance or physical condition of property with true depreciation, which is the using up of its economic or service life. It does not give consideration to all factors contributing to the retirement of property; hence it cannot reflect the actual existing depreciation.

The method employed by the Company to determine existing or accrued depreciation is inconsistent with the method used to determine annual depreciation expense. Annual depreciation expense and accrued depreciation are merely two phases of the same phenomenon. They must be determined consistently or grave injustices will result. The annual depreciation expense claimed by the Company was determined according to the economic or service life principle. This is the general practice, and is proper. In determining accrued depreciation, however, the Company objects to the service life principle, and insists upon a scheme which cannot result in disclosing the full amount of depreciation which has been suffered.

Thus, the Company seeks to employ a double standard: one which results in high annual allowances to it for depreciation expense, and another which discloses little depreciation to be deducted in determining the rate base. The annual allowance claimed by the Company would in 6¼ years total more than the amount which it contends has accrued during 15 years of actual operations. In other words, the dual standard advocated is a pincers operation which always results in squeezing too much from the rate payer. As indicated previously, annual

depreciation expense and accrued depreciation are merely two aspects of the same phenomenon which require consistent treatment in their determination.

The Commission's staff presented in these proceedings a depletion and depreciation reserve requirement study, that is, a computation of the proper reserve which should have been accrued. A qualified staff engineer, who analyzed the Company's past experience, relevant service life data on other pipe lines, and who made a field inspection of the Company's physical properties, estimated the over-all service lives of the properties by classes. His study included a careful consideration of both functional and physical aspects of depreciation. In this case the economic service life of Interstate's property is limited and controlled by the available gas supply which is estimated to be exhausted by 1960 and before certain of the physical elements of the property will deteriorate completely. There is no controversy over the amount of the Company's gas reserves and known available supply, which are estimated to have an over-all life of 35 years from their first utilization in 1926.

The depreciation rates which the staff used in computing both the annual expense and the reserve requirement were derived from the average service lives of the various classes of properties. The equitable principle that annual expenses for depreciation must be harmonized with accrued depreciation was recognized and applied. The reserve requirement at any given time is the accumulated amount of proper annual provision for depreciation, less the cost of property retired. The method used by the staff follows our previous decisions. Under it, there is determined the amount required annually to reimburse the Company for property consumed in service, thus assuring the Company it will be fully reim-

bursed for its capital investment by the end of the economic life of its wasting-asset enterprise.[4] *Federal Power Commission v. Natural Gas Pipeline Co.*, 315 U. S., 575, 593.

The Commission finds that the required depletion and depreciation reserve as computed by the staff is the best measure of actual existing depletion and depreciation in the properties.[5] At the end of 1941 the reserve requirement, by functional classifications, was:

Depletion:	
Natural Gas Operated Acreage	$ 527,237
Depreciation:	
Production Plant	358,786
Transmission Plant (Wholly Owned)	5,305,096
Transmission Plant (Jointly Owned)	21,106
General Plant	116,709
Total Reserve Requirement	$6,328,934

This required reserve, totalling $6,328,934, will be deducted from the actual legitimate cost of the Company's property.

[4] The unit-of-production method (unit equals 1000 cubic feet of gas) was used to determine the annual depletion and depreciation and the reserve requirement for natural gas producing lands, leaseholds, and rights, wells, field lines, field measuring and regulating structures and equipment, and other structures and equipment associated with operations in the Monroe gas field. The straight-line service life method was used to determine annual depreciation and the reserve requirement for all other plant items. There is no dispute over the use of the service lives in this case for determining the depreciation rates upon which the annual allowance for depreciation is based.

[5] See: *Re Long Island Lighting Co.*, 18 P. U. R. (N. S.) 65, 146-151, 189-191; aff. 249 App. Div. 918, 292 N. Y. S. 807, 809, 18 P. U. R. (N. S.) 225, 226; *Re Rochester Gas & Electric Corp.*, 33 P. U. R. (N. S.) 393, 489, 502-3; National Association of Railroad and Utilities Commissioners, Proceedings of Fiftieth Annual Convention (1938) pp. 473-4.

As indicated hereinbefore, Interstate had accrued on its books a reserve for depreciation, depletion, and amortization aggregating $10,981,720 by the end of 1941. The Company's book reserve exceeds the reserve requirement, which the Commission finds to be the measure of actual existing depletion and depreciation, by more than $4,600,000.

For the reasons set forth at length in the *Hope* case, the Commission has deducted from actual cost only what it has determined to be the reserve requirement which reflects the depletion and depreciation accrued in Interstate's property, *Cleveland v. Hope Natural Gas Co.*, 44 P. U. R. (N. S.) 1, 18.

Construction Work in Progress and Estimated Capital Additions.

The Interstate Company showed on its books in the account, Construction Work in Progress, a balance of $178,550 on December 31, 1941. Since practically all of this balance represented the cost of plant which had been placed in service before the end of 1941, or was placed in service shortly thereafter, the entire amount will be included in the rate base.

The Company urges the Commission to include in the rate base the amount of $1,500,000[6] for property additions proposed for the years 1942-1946. These proposed additions to plant are primarliy designed to meet increased demands for gas. The increased revenues from

[6] The cost of additions will be offset fully by accruing depletion and depreciation. The net increase in depletion and depreciation (accruals less retirements) was $564,549 in 1941, and this pattern of increasing depletion and depreciation is a constant one. Thus, the proposed $1,500,000 additions during 1942-1946 to plant are less than the depletion and depreciation which will accrue during the same period.

the future business should provide ample coverage for the return and costs of operation in connection with the future use of the proposed additions. We conclude that it would be improper to include in the rate base these estimated amounts for future additions, since the revenues from the predicted increase in business are not reflected in the test period of operations which we employ. Furthermore, the Supreme Court held in the *Natural Gas Pipeline Company* case, "* * * the refusal to include in the rate base capital expenditures not yet made cannot involve confiscation."[7].

Working Capital.

Interstate claimed working capital in the amount of $447,202. The staff recommended $347,202. Working capital consists of two chief elements, materials and supplies needed in the business and cash necessary to meet the operating expenses from day to day pending collection of revenues. There is no dispute as to the required amount of materials and supplies ($268,341). The staff indicated that $78,861 was reasonable for the cash working capital, whereas the Company claims an even $100,000 in excess of that amount. The extra $100,000 is claimed to be needed for the purpose of maintaining bank balances.

The amount computed by the Commission's staff for cash working capital was related to operating expenses, as is proper. The cash necessary to run the business is that which must be available to meet current expenses during the lag between the time of rendering service and collection of revenues. Taxes are accrued and, in effect, collected from the customers long before they

[7] *Federal Power Commission v. Natural Gas Pipeline Co.*, 315 U. S. 575, 587, footnote 5.

have to be paid by the Company. These tax accruals in excess of payments will supply adequate bank balances. In recent years the tax accruals, representing the excess of taxes charged to operations over the amounts actually paid to any given date, have always exceeded $500,000. We find, therefore, that the necessary allowance for working capital, including materials and supplies, is $347,202.

Conclusions with Respect to the Rate Base.

The analysis of the evidence which we have discussed with respect to the components of the rate base and our conclusions may be summarized thus:

Actual Legitimate Cost or Gross Investment in Gas Plants in Service, 12/31/41	$21,387,157
Less: Actual Existing Depletion and Depreciation	6,328,934
Net Investment in Gas Plant in Service	$15,058,223
Add: Construction Work in Progress	178,550
Working Capital	347,202
Rate Base	$15,585,975

The Commission, therefore, adopts the foregoing amount as the rate base for the Company's property as an assembled whole and an established gas utility in successful operation.

Rate of Return.

Numerous factors enter into the determination of what constitutes a fair rate of return in every utility rate case. The principal factors are stated by the Supreme Court

in *Bluefield Water Works & Improvement Co. v. Pub. Serv. Comm.*, 262 U. S. 679, 692-3. They are that the return of a public utility shall be equal to that generally being made at the same time in the same region on investments in other enterprises attended by corresponding risks, and that the return should be sufficient to assure confidence in the financial soundness of the utility and to maintain its credit and enable it to attract the capital necessary for the proper discharge of its public duties. The Supreme Court has said, nevertheless, that a utility has no constitutional right to profits such as are realized by highly profitable enterprises or speculative ventures.

The record contains an abundance of evidence on the subject of rate of return. The information includes investors' appraisal of the natural gas industry, comparative risk data, interest rates and yields on securities of natural gas and electric utilities, statistics showing the growth and stability of the natural gas industry, the trend of the cost of money and its current cost, economic and idle money data, and the financial history of Interstate. That evidence reveals that, compared to industrial and railroad enterprises, the utility business has relatively greater stability. It also shows that interest rates generally are now lower than they have ever been; for example, it shows that the yields on the better issues of natural-gas company bonds sold recently are close to 3%.

The record shows that Interstate is a well-established natural-gas company whose risks have been minimized by ample past and present provisions for depletion and depreciation with current high profits and by many established markets. By 1941, Interstate had retired all of its own and assumed bonded indebtedness in the aggregate face amount of $12,400,000, had paid cash dividends exceeding $10,000,000, had accumulated a deple-

tion and depreciation reserve of $10,000,000 and a surplus of more than $5,800,000. The Company's efficient management, established markets, financial record, affiliations, and its prospective business, place it in a strong position to attract capital upon favorable terms should additional capital ever be required.

We conclude, upon a careful consideration of the evidence and in the light of the principles enunciated by the Supreme Court, that 6½% is a fair annual rate of return upon the rate base applicable to the federally regulated business of this Company. Our views on the subject of rate of return are in harmony with recent decisions by the Supreme Court and other Courts and commissions involving natural-gas companies.[8]

Operating Revenues and Expenses.

There is no controversy over the volume of gas sold and transported or the revenues received by Interstate. The Commission's staff presented adjusted book figures for revenues and expenses of the Interstate Company for the 4-year period 1938-1941. The adjustments resulted mainly in a reduction of the annual amounts charged by the Company for depletion and depreciation expense. The amount of depreciation and depletion expense calculated for 1941 was $614,896.50. The Company did not challenge this amount, which we find reasonable. In fact, the Company offered no evidence on revenues and expenses and did not challenge the correctness of the income statements presented by the staff. There

[8] *Federal Power Commission v. Natural Gas Pipeline Co.*, 315 U. S. 575, 596; *Arkansas-Louisiana Gas Co. v. Texarkana*, 96 F. (2d) 179, 188; *Peoples Gas Light & Coke Co. v. Slattery*, 25 N. E. (2d) 482, 501; *East Ohio Gas Co. v. Cleveland*, 27 P. U. R. (N. S.) 387, 412, aff. 28 N. E. (2d) 599, 612; *Re Montana-Dakota Utilities Co.*, 32 P. U. R. (N. S.) 121, 128; *Pa. Pub. Util. Comm. v. The Peoples Natural Gas Co.*, 43 P. U. R. (N. S.) 82, 115.

is no dispute over the amount of net utility income for the 4-year period, which the evidence shows was $2,385,375 for 1938; $2,532,820 for 1939; $2,275,744 for 1940 and $2,386,191 for 1941.

From these figures it is seen that net utility income has remained fairly stable during the four years of this period. Accordingly, since 1941 operations are typical and afford the latest available data, they have been chosen as the best guide for fixing rates for the future.

Allocation of Cost of Service.

Interstate's properties are used in transactions over which we have jurisdiction, as well as those beyond our jurisdiction, and they are also used to render service to customers with varying load and other characteristics. Its operating expenses likewise relate to these several phases of the Company's operations. This gives rise to joint costs. It, therefore, becomes necessary to resort to allocations for the purpose of determining just and reasonable rates of the business subject to regulation under the Natural Gas Act and also for the purpose of determining the proper disposition of any rate reduction which we may order.

There are two general methods of making allocations. Under one, an allocation of the cost of physical property and of operating expenses is made. Under the other, the return of the property, rather than the cost of the property itself, is allocated along with the operating expenses. If the same pertinent figures are used in the calculations, the results will be the same under both methods. The method which allocates the return along with operating expenses is far more practical and is easier to understand and to apply. This may be denomi-

nated the "reasonable cost of service method." All that can be accomplished by an allocation of the physical property can be, and is, obtained by an allocation of the reasonable cost of service, including therein a proper return.

The allocation which we adopt in this case is based upon a careful and detailed study of the Company's property, operations, costs, types of customers served, location of service and the amount and characteristic of customers' requirements for gas.

In making such allocations, operating cost and return are distributed in two categories: those which relate to production and purchases; and those which relate to transportation and delivery. Costs relating to transportation and delivery are in turn divided as between demand and volume (mcf) costs. In general, the fixed costs are associated with demand and the variable costs with volume. An exception to this rule relates to return, Federal and state income taxes and Federal capital stock taxes. These, to the extent they relate to transportation and delivery of gas, we allocate 50% to demand and 50% to volume. The reason for this latter division is that a part of the return or profit should naturally come from the volume of business and a part from the customers' demand, that is, the capacity of facilities required to render service. Income taxes and capital stock taxes are associated with return and are, therefore, allocated in the same manner.

Costs relating to the production or to the purchase of gas by Interstate, including the operation of field lines, are classified as volume or "commodity costs" only. This is in accordance with generally accepted practice. Gas in and very near the fields almost invariably sells on a

straight mcf basis. Demand charges for such gas are not exacted.

The transportation and delivery costs which are associated with demand are allocated in proportion to each customers' responsibility for the peak-day demand for gas. The transportation and delivery costs which are associated with volume are allocated in proportion to the volume (mcf) of gas sold to each customer.

The operating expenses, including depreciation and depletion, but excluding Federal income taxes, amounted to $3,960,766 in 1941. A return of 6½% on the total rate base of $15,583,975, we have heretofore found, amounts to $1,012,958. Interstate would have paid $215,472 Federal income taxes for the year 1941 if its net utility income for that year had been limited to 6½%. Accordingly, the latter figure is used in the cost of service allocation.

The total reasonable cost of service for 1941 on the basis described above amounts to $5,189,197. An allocation of this cost to the various customers, those under as well as those beyond our jurisdiction, is shown in the following tabulation which also shows the respective revenues and earnings in excess of 6½% return. The table shows that $2,487,955 of the total reasonable cost is allocated to transactions over which we have jurisdiction and $2,071,242 to transactions which are not under our jurisdiction.

	Revenues 1941	Reasonable Cost of Service	Excess of Revenues Over Cost
Sales of Gas for Resale to:			
Pipe Line Companies:			
Mississippi River Fuel Corp.	$ 686,012	$ 384,683	$ 301,329

	Revenues 1941	Reasonable Cost of Service	Excess of Revenues Over Cost
Southern Natural Gas Co.	594,459	447,656	146,803
United Gas Pipe Line Co. (for a/c Memphis Natural Gas Co.)	334,396	186,208	148,188
United Gas Pipe Line Co. (for New Orleans area)	831,385	534,516	296,869[10]
Distribution Companies in Louisiana and Mississippi	380,947	245,464	135,483[10]
Transportation of Gas for United Gas Pipe Line Co. (for New Orleans area)	1,036,533	689,428	347,105[10]
Total Regulated Business	$3,863,732	$2,487,955	$1,375,777
Gas Sales to:			
Industrial Customers	3,689,533	2,674,455	1,015,078
Public Authority	46,807	26,787	20,020
Total Unregulated Business	$3,736,340	$2,701,242	$1,035,098
Grand Total	$7,600,072	$5,189,197	$2,410,875

[10] These are the excesses prior to certain reductions in rates made during the course of these proceedings and discussed later in this Opinion.

The return in excess of 6½% earned in 1941 on transactions which are subject to our jurisdiction, as shown in the table, amounted to $1,375,777. A reduction in rates of this amount does not mean that Interstate's profits will be reduced by the same figure. Only $772,624 will be borne by Interstate, the balance representing a saving in income taxes.[9]

Based upon the evidence in this case, we find that Interstate's reasonable cost of service for the year 1941, including a 6½% return on the rate base and corresponding 31% Federal income taxes, should be allocated in the amounts of $384,683 to the Mississippi River Fuel Corporation, $447,656 to the Southern Natural Gas Company, and $186,208 to the United Gas Pipe Line Company for the account of Memphis Natural Gas Company, $534,516 to the United Gas Pipe Line Company for the New Orleans area, $245,464 to distribution companies, and $689,428 to the United Gas Pipe Line Company for the transportation of gas. The foregoing are sales and transactions subject to the jurisdiction of the commission. The reasonable cost of service, including 6½% rate of return and 31% Federal income taxes, properly allocable to unregulated sales, is $2,674,455 to industrial customers and $26,787 to a public authority.

If, in the reasonable cost of service for regulated business of 1941, shown in the foregoing tabulation, Federal income taxes had been calculated at the 1942 rate of 40% for normal and surtaxes instead of the applicable rate of 31%, which was the rate used, that cost would have been $50,000 more than shown. The tax rate of 31% has been employed because it was the applicable rate

[9] If the total excessive earnings of $2,410,875 were applied to the reduction of rates, $1,353,917 would come from the profits of Interstate and $1,056,958 from savings in income taxes.

for 1941, and the record indicates that Interstate's business will be increased sufficiently to provide for the additional tax of $50,000.

Reasonable Earnings for the Future.

The Revenue and Cost of Service figures set forth above disclose that the Company's rates for the transportation of gas and the sale of gas in interstate commerce for resale, which are subject to Federal regulation, were unreasonably high in the amount of $1,375,777.[11] In some instances, these rates have been reduced in line with proposals made by the Company and accepted by the Commission during the course of this proceeding.

The Company's rate reduction established a single uniform rate for all city gate deliveries made by the Interstate Company to local distribution companies in Louisiana and Mississippi. Based on 1941 sales volumes, the total annual reduction made to those distribution companies is $126,721.

In the Commission's Opinion No. 90 and order issued April 16, 1943, involving the rates of the United Gas Pipe Line Company, the statement was made on page 7:

"A very substantial part of the gas consumed in the City of New Orleans is transported by Interstate Natural Gas Company, Inc. for United and in addition United purchases gas from Interstate. Any reduction in the charges of Interstate will result in a further reduction in the New Orleans gate rate. Proceedings involving Interstate's rates were instituted some time ago; hearings have been held and briefs filed therein (Docket No.

[11] Upon giving effect to the total rate reduction of $1,375,777, the Company's net utility income as indicated by the 1941 figures will be approximately $1,700,000. This amount consists of the return on the entire rate base at 6½%, amounting to $1,012,958, and the earnings on unregulated business *in excess of 6½% return*, of approximately $700,000. This sum of $1,700,000 is equivalent to a return of about 11% on the entire rate base.

G-149). This matter is under active consideration by the Commission and an early decision will be rendered."

It has been shown in the cost of service tabulation above that the rates of Interstate to United for the sale and transportation of natural gas for the New Orleans area are excessive as follows, based on 1941 operations:

For Sale of Gas	$296,869
For Transportation of Gas	347,105
Total	$643,974

In 1942, Interstate reduced its rates to United effective retroactively to August 1941. These reductions affected both the charges for the sale and for the transportation of gas for the New Orleans area. The reductions are not reflected in the figures immediately above. These reductions, on an annual basis, total $148,711 which, deducted from the above amount of $643,974, leaves a balance available for further reduction to the United Company for the New Orleans area of $495,263. The New Orleans area includes the City of New Orleans served by New Orleans Public Service, Inc., and the contiguous area served by Louisiana Power and Light Company. The bulk of this reduction is applicable to New Orleans.

After making appropriate allowance for the reductions made during the course of these proceedings by Interstate to the distribution companies and United, which reductions total $275,432 annually, we determine that the just, reasonable and non-discriminatory rates to be hereafter observed by Interstate and fixed by order of this Commission shall reflect such further reduction in rates as, when applied to the volume of gas sold and

transported under Federal regulation for 1941, will amount to not less than $1,100,345, distributed as follows:

Mississippi River Fuel Corporation	$ 301,329
Southern Natural Gas Company	146,803
United Gas Pipe Line Company (for a/c Memphis Natural Gas Company)	148,188
Distribution Companies in Mississippi and Louisiana outside of New Orleans	8,762
United Gas Pipe Line Company for New Orleans Area—Sale and Transportation	495,263
	$1,100,345

An appropriate order will be entered in accordance with this opinion.

LELAND OLDS,
Chairman,
CLAUDE L. DRAPER,
Commissioner,
BASIL MANLY,
Commissioner,
JOHN W. SCOTT,
Commissioner;
CLYDE L. SEAVEY,
Commissioner.

Dated at Washington, D. C., this 27th day of April, 1943.

LEON M. FUQUAY,
Secretary.

128 ORDER REDUCING RATES.

United States of America.

Federal Power Commission.

Commissioners: Leland Olds, Chairman, Claude L. Draper, Basil Manly, John W. Scott and Clyde L. Seavey.

April 27, 1943.

In the Matter of
Interstate Natural Gas Company, Inc.
Docket No. G-149.

Louisiana Public Service Commission, Complainant,
v. Docket No. G-132.
Interstate Natural Gas Company, Inc., Defendant.

Upon consideration of the complaint, answer, petitions, and orders previously entered in these proceedings, the evidence of record, the briefs and oral argument, and the Commission having on this date entered and issued its Opinion No. 91 which is hereby incorporated by reference and made a part hereof;

The Commission *finds* that:

(1) Interstate Natural Gas Company, Incorporated, is a corporation organized and existing under and by virture of the laws of the State of Delaware;

(2) Interstate is engaged in the purchase, production and gathering of natural gas in the Monroe Field in the State of Louisiana, and in the transportation of natural gas so produced, purchased and gathered, out of the

State of Louisiana and through the State of Mississippi and back into the State of Louisiana;

(3) The natural gas transported as described in finding (2) is sold in interstate commerce for resale for ultimate public consumption for domestic, commercial, industrial, and other uses;

(4) Interstate is engaged in the transportation of natural gas in interstate commerce, and in the sale in interstate commerce of natural gas for resale, and is, therefore, a natural-gas company within the purview of the Natural Gas Act;

(5) The transportation and sale of natural gas in interstate commerce as described in findings (2) and (3) are subject to the jurisdiction of the Federal Power Commission;

(6) Interstate sells gas to United Gas Pipe Line at wholesale, technical delivery being made at Interstate's De Siard Compressor Station near Fowler, Louisiana, and such gas is transported by it for United through Interstate's main pipe line through the State of Mississippi and redelivered to United at Baton Rouge, Louisiana, for resale for ultimate public consumption, and these transactions constitute transportation and sale of natural gas by Interstate in interstate commerce for resale and are subject to the jurisdiction of this Commission;

(7) Interstate, as an established course of business, is engaged in the transportation, sale and delivery of natural gas purchased, produced and gathered in Monroe Field, Louisiana, to Mississippi River Fuel Corporation and Southern Natural Gas Company at a point near Perryville in the State of Louisiana, and to United Gas

Pipe Line Company for the account of Memphis Natural Gas Company at a point near Guthrie in the State of Louisiana;

(8) The natural gas purchased, produced, gathered and transported, that is sold and delivered to Mississippi River Fuel Corporation and Southern Natural Gas Company, and to United Gas Pipe Line Company for the account of Memphis Natural Gas Company, as described in finding (7), is sold and delivered by Interstate, in each instance, pursuant to the terms of a contract which provides that the gas so sold is received by the purchaser and transported by it out of the State of Louisiana for the purpose of resale in states other than Louisiana for ultimate public consumption for domestic, commercial, industrial and other uses;

(9) The natural gas purchased, produced, gathered, and transported, that is sold and delivered to the purchasers named in finding (7), moves in each instant in a constant flow from the mouths of the wells from which it is produced through pipe lines belonging to Interstate to the compressor station of the respective purchaser, and thence through said compressor stations into the pipe line of said respective purchaser and thus into and through states other than Louisiana as described in finding (8), all without interruption, and said gas is so destined from the moment of its production;

(10) The transportation and the sale of natural gas as described in finding (7) is, in each instance, the transportation and sale in interstate commerce of natural gas for resale for ultimate public consumption for domestic, commercial, industrial and other uses, and, therefore, subject to the jurisdiction of the Commission;

(11) The actual legitimate cost of Interstate's gas plant in service as of December 31, 1941, was $21,387,157;

(12) Interstate's estimate of observed existing depreciation in its properties rests upon incomplete and inadequate data, is basically unsound and unreliable, and does not reflect the actual depreciation existing in such properties;

(13) The actual depletion and depreciation existing in Interstate's gas plant in service as of December 31, 1941, was $6,328,934;

(14) The net investment in Interstate's gas plant in service as of December 31, 1941, was $15,058,223;

(15) Construction work in progress as of December 31, 1941, amounted to $178,550;

(16) Working capital, including materials and supplies, in the aggregate amount of $347,202 will be required in the operation of the Company;

(17) For the purpose of fixing reasonable rates, Interstate is entitled to earn a fair return on a rate base consisting of the net investment in plant in service, construction work in progress, and working capital in the aggregate amount of $15,583,975;

(18) Under presently existing conditions, 6½% per annum is a fair return on that portion of the rate base devoted to the regulated business;

(19) For the purpose of determining the reasonableness of rates charged in 1941, and for the future, Interstate's total gas revenues amounted to $7,600,072;

(20) For the purpose of determining the reasonableness of rates charged in 1941, and for the future, Interstate's reasonable cost of service, including operating expenses, taxes, and return on the rate base, amounted to $5,189,197;

(21) Tested by 1941 revenues and cost of service, as described in findings (19) and (20), the rates and charges collected by Interstate from pipe line companies and distribution companies for natural gas transported and sold in interstate commerce for resale are excessive in the aggregate amount of at least $1,375,777;

(22) Since 1941, Interstate has reduced its rates to all of its distribution company customers by $126,721 and to United Gas Pipe Line Company for the transportation and sale of gas by $148,711; these reductions total $275,432 which deducted from $1,375,777 in finding (21) leaves $1,100,345 available for further reductions;

(23) The rates, charges, or classifications that are demanded, observed, charged, or collected by Interstate in connection with the transportation and sale of natural gas subject to the jurisdiction of this Commission are unjust, unreasonable and unlawful;

(24) The revenues derived from rates, charges, or classifications demanded, observed, charged or collected by Interstate in connection with the transportation and sale of natural gas subject to the jurisdiction of this Commission exceed revenues which would be derived from just and reasonable rates by the amount of at least $1,100,345;

(25) The rates and charges of Interstate, after reflecting the reduction hereinafter ordered, will be just and reasonable;

Therefore, the Commission *orders* that:

(A) The rates and charges received by Interstate for the transportation and sale of natural gas in interstate commerce for resale for ultimate public consumption shall be decreased to reflect a reduction in rates which, applied to the 1941 volume of sales, will amount to not less than $1,100,345 annually;

(B) Interstate shall file on or before May 15, 1943, new schedules of rates and charges for the transportation and sale of natural gas in interstate commerce to its customers for resale for ultimate public consumption, which shall reflect the reduction ordered in paragraph (A) above, and be just, reasonable and non-discriminatory and in accordance with the allocation of cost of service set forth in the Opinion, and such new schedules of rates and charges shall be effective as to all bills rendered on or after May 15, 1943;

(C) The Commission reserves the right to reject all or any part of such new schedules and, in lieu thereof, to prescribe any other schedules by further order;

(D) On and after the effective date of the new schedules of rates and charges filed and made effective in accordance with paragraph (B) above, Interstate shall cease and desist from making, demanding, or receiving any rates and charges which do not reflect the reduction ordered in paragraph (A) above.

By the Commission.

LEON M. FUQUAY,
Secretary.

133 PETITION OF INTERSTATE NATURAL GAS COMPANY, INCORPORATED, FOR STAY AND MODIFICATION OF THE COMMISSION'S ORDER OF APRIL 27, 1943.

United States of America.

Federal Power Commission.

Federal Power Commission, Received May 11, 1943.

In the Matter of
Interstate Natural Gas Company, Incorporated,
Docket No. G-149.

Louisiana Public Service Commission, Complainant,
v. Docket No. G-132.
Interstate Natural Gas Company, Incorporated,
Defendant.

To the Honorable Federal Power Commission:

Interstate Natural Gas Company, Incorporated, respondent and defendant in the above-entitled and numbered proceedings, hereinafter referred to as "Interstate", hereby petitions the Commission for an order herein staying and suspending the effective date and operation of its Order dated April 27, 1943 and received by Interstate on May 1, 1943, wherein Interstate is ordered to file on or before May 15, 1943 new schedules of rates and charges for the transportation and sale of natural gas for resale in interstate commerce, which new schedules shall reflect a reduction of not less than $1,100,345.00 annually when applied to the 1941 operations, and which new schedules of rates and charges shall be effective as to all bills rendered on or after May 15, 1943; and petitions for a modification of said Order by extending said date of May 15, 1943 to July 1, 1943.

The grounds upon which this petition is based are as follows:

I.

The Order gives Interstate only fourteen days after the receipt thereof within which to prepare and file schedules reflecting the ordered reductions. Even if Interstate would accept the Order as drafted and not file an application for rehearing nor file any error proceedings in Court, there still would not be ample time within which to prepare and file the schedules required by the Order. Furthermore, Interstate proposes to file an application for rehearing within the statutory period, which will be filed in good faith and based upon grounds which Interstate believes to be well-founded. It is Interstate's purpose to press for a hearing in order that certain additional facts may be brought on to the records.

II.

In the proposed application for rehearing, Interstate will point out that the reductions made to distributing companies approximately one year ago and which amounted to about $126,721. based on 1941 volumes, were made pursuant to a pre-hearing conference and with an understanding with Commission representatives that if such reduced rates were put into effect at that time and no contest would be made by Interstate with respect to that part of the case, then the reduced rates would be accepted as just and reasonable rates so far as this proceeding is concerned and no further reduction would be ordered. Said rates established are 15 cents per M.c.f., with a lower block applicable to certain additional quantities of gas taken. Interstate believes that these facts were not brought to the Commission's attention at the

time of writing the Order and will desire to bring these facts before the Commission upon rehearing. This proposal was made by Interstate as a final settlement of these particular rates, recognizing that reductions to the exact dollar shown by the Commission findings were not possible, and the Commission representatives and Interstate agreed that those proposed constituted a fair and just determination of the rates in question, and enabled early reductions to be made without any contest.

III.

Interstate believes that the Order respecting the reduction required in connection with the New Orleans area is inconsistent with the findings made by the Commission staff and the Order entered by the Commission in the recent case involving United Gas Pipe Line Company, decided in Opinion No. 90. A portion of the reduction ordered herein is based upon the revenues received by Interstate from the operation of certain pipe lines transporting gas from New Orleans from nearby fields which lines are owned by United Gas Pipe Line Company and in which Interstate has a 50% equitable interest. Since the Commission's exhibits indicated that gas sold in the Monroe Field is being sold at a loss, all of the proposed reductions designated as the sale of gas for the New Orleans area must reflect the operations of the local pipe lines by United Gas Pipe Line Company. No substantial reduction was required in the New Orleans gate rate as a result of this very operation by United Gas Pipe Line Company. Consequently, Interstate believes that a rehearing is necessary in order to bring on this record the complete facts so that Interstate will not be treated unjustly in connection with the transportation and sale of gas for the New Orleans market.

IV.

Irrespective of the action of the Commission on the application for rehearing proposed to be filed, Interstate contends that the Commission has erroneously held subject to its jurisdiction sales which Interstate makes in the Monroe Field to other pipe line companies and has committed certain other errors in said Orders. Consequently, it is Interstate's intention, pursuant to and within the time allowed by the Natural Gas Act, to file a petition to review said Order in the proper United States Circuit Court of Appeals. If the Order herein entered be not stayed and modified as herein requested, Interstate will be compelled to seek a stay order before May 15, 1943 from the Fifth Circuit Court of Appeals at New Orleans, Louisiana, even though the time for filing the application for rehearing will not then have expired. In view of the statutory provisions requiring the filing of an application for rehearing before Court action can be instituted, Interstate submits that in fairness to it and in the aid of orderly procedure the date within which action is required of it by the Order be extended to July 1, 1943. If by fixing May 15, 1943 as the date of compliance with the Order, Interstate is required to file reduced schedules until such time as it can take the appropriate review procedure provided and authorized by statute, then during such time Interstate will be penalized without having had the opportunity of any judicial review of the Commission's Order. By so doing, the Commission's Order would thus operate to deprive Interstate of its revenues during this period without any possibility of any judicial review with respect thereto, all of which would be in violation of the Due Process Clause of the Fifth Amendment to the Constitution of the United States.

Wherefore, Interstate prays that the operation of the Order dated April 27, 1943 be stayed and suspended un-

til the Commission shall rule upon a petition for rehearing to be filed herein, and that said Order be modified so that the date of May 15, 1943 therein set forth be extended to July 1, 1943; and in the event that no rehearing is granted to Interstate, then it prays that said Order be stayed pending a review of said Order by the appropriate United States Circuit Court of Appeals, as provided by the Natural Gas Act and other appropriate laws.

Respectfully submitted,
INTERSTATE NATURAL GAS
COMPANY, INCORPORATED,
By WILLIAM A. DOUGHERTY,
Vice-President.

30 Rockefeller Plaza, Room 3000,
New York, New York.

Dated: May 10, 1943.

140 ORDER EXTENDING TIME OF FILING AND EFFECTIVE DATE OF NEW SCHEDULES OF RATES AND CHARGES.

United States of America.

Federal Power Commission.

Commissioners: Leland Olds, Chairman, Claude L. Draper, Basil Manly, John W. Scott and Clyde L. Seavey.

May 11, 1943.

In the Matter of

Interstate Natural Gas Company, Inc.

Docket No. G-149.

Louisiana Public Service Commission, Complainant,

v. Docket No. G-132.

Interstate Natural Gas Company, Inc., Defendant.

Upon petition filed with the Commission on May 11, 1943, by Interstate Natural Gas Company, Inc., praying that the operation of the Commission's order dated April 27, 1943, in the above-entitled matter be stayed until the Commission shall rule upon a petition for rehearing which is to be filed by the Company within the 30-day period provided for in the Natural Gas Act;

It appearing to the Commission that:

Good cause has been shown for the granting of an extension of time for the filing and the effective date of the new schedules of rates and charges, as hereinafter ordered;

The Commission orders that:

The time for the filing and the effective date of the new schedules of rates and charges as provided for in paragraph "(B)" of the Commission's order of April 27, 1943, be and they are hereby extended to June 15, 1943; provided, however, that:

Nothing in this order shall be construed as extending the time within which Interstate Natural Gas Company, Inc. may file a petition for rehearing on the aforesaid order of April 27, 1943, as provided in Section 19 of the Natural Gas Act.

By the Commission.

LEON M. FUQUAY,
Secretary.

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142 PETITION FOR REHEARING OF INTERSTATE NATURAL GAS COMPANY, INCORPORATED.

United States of America.

Federal Power Commission.

In the Matter of
Interstate Natural Gas Company, Incorporated.
Docket No. G-149.

Louisiana Public Service Commission, Complainant,
v. Docket No. G-132.
Interstate Natural Gas Company, Incorporated, Defendant.

To the Honorable Federal Power Commission:

Interstate Natural Gas Company, Incorporated, Respondent-Defendant in the above-entitled and numbered pro-

ceedings (hereinafter sometimes referred to as "Interstate" or as "Respondent"), refers to the Order of this Commission, together with Opinion No. 91 accompanying said Order, both dated April 27, 1943, but not served on Respondent until on or about May 1, 1943, and respectfully applies for a rehearing in the above-entitled proceedings upon each and all of the grounds set forth in the following specifications of errors:

Specifications of Errors.

* * * * * *

2.

The Commission erred in paragraphs 7, 8, 9 and 10 of said Order in finding that Respondent is engaged in the transportation, sale and delivery of natural gas, subject to the jurisdiction of the Commission, by reason of sales made to Mississippi River Fuel Corporation, Southern Natural Gas Company, and United Gas Pipe Line Company for the account of Memphis Natural Gas Company, and erred in finding that such natural gas is transported and sold within the meaning of the Natural Gas Act.

3.

The Commission erred in failing to find that the sale and delivery of natural gas in the Monroe Field to Mississippi River Fuel Corporation, Southern Natural Gas Company, and United Gas Pipe Line Company for the account of Memphis Natural Gas Company in each instance is exempt from the jurisdiction of the Commission under the Natural Gas Act by reason of the fact that said gas is produced and gathered in the Monroe Field and deliveries are made in said field as a part of

Respondent's business of the production and gathering of natural gas in said Monroe Field.

Respondent says that the sale and delivery of natural gas made to each of said companies, in each instance, is made in a method identical with the method employed by Columbian Fuel Corporation in making sales of natural gas which the Commission held were made in the production and gathering of natural gas and therefore exempt from the Commission's jurisdiction by reason of the provisions of Section 1 (b) of the Natural Gas Act. (See In Re: Columbian Fuel Corporation, 35 P. U. R. (N. S.) 3.)

In failing to make a similar finding in respect of the sales of natural gas to each of said companies, the Commission has made an arbitrary distinction and one without legal justification, and in so doing has deprived Respondent of its property contrary to the Due Process Clause of the Fifth Amendment to the Constitution of the United States.

4.

The Commission erred in its finding made in its Opinion, commencing at the bottom of page 5 and extending through to the middle of page 9, wherein the Commission found that Respondent does not consider its transportation lines as something separate from its field lines and that natural gas which Interstate receives from other producers in the Monroe Field is then transported by Interstate together with the gas which it produces and gathers, and erred in finding that the movement of this commingled gas to the points of sale and delivery to the three pipe line companies named constitutes a transportation and sale of natural gas in interstate commerce within the jurisdiction of the Commission.

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13.

The Commission erred in failing to find as a part of the rate base an estimated $1,000,000.00 of property additions which the evidence disclosed would have to be constructed during the years 1942 to 1946.

* * * * * *

15.

The Commission erred in paragraph 17 of said Order in finding that the rate base upon which Respondent is entitled to earn a fair return consists of the net investment of gas plant in service as found by the Commission together with allowed construction work in progress and working capital, in the total amount of only $15,583,975.

* * * * * *

17.

The Commission erred in paragraph 18 of its Order in limiting the rate of return to only 6-½% per annum and in failing to find that a fair rate of return to which Respondent was entitled should be not less than 8%.

18.

The Commission erred in paragraph 20 of said Order in allowing only the sum of $5,189,197. as Respondent's reasonable cost of service, including operating expenses, taxes and return on the rate base.

19.

The Commission erred in failing to find that Respondent's reasonable cost of service, including operating ex-

penses, taxes and return on the rate base should be $6,481,599. The difference consisting of a properly allowable return of $1,533,383. instead of the allowed return of $1,012,958. and an allowance for Federal Income Tax expense of $987,450. in lieu of the allowed $215,472.

20.

The Commission erred in paragraph 21 of said Order in its finding that the rates and charges collected by Respondent from pipe line companies and distribution companies for natural gas transported and sold in interstate commerce for resale are excessive in the aggregate of $1,375,777.

21.

The Commission erred in paragraph 22 of said Order in its finding that after certain reductions previously made there is available for further reductions the sum of $1,100,345.

22.

The Commission erred in paragraph 23 of said Order in its finding that the rates, charges or classifications that are demanded, observed, charged or collected by Respondent in connection with the transportation and sale of natural gas subject to the jurisdiction of the Commission are unjust, unreasonable and unlawful, and erred in paragraph 24 of said Order in finding that the revenues derived from said rates, charges or classifications exceed revenues which would be derived from just and reasonable rates by the amount of, at least $1,100,345.

23.

The Commission erred in paragraph 25 of said Order in finding that the rates and charges ordered to be put into effect by it will be just and reasonable.

* * * * * *

26.

The Commission erred in failing to make a proper and adequate allowance for Federal Income Taxes for the future, in accordance with the Requested Findings, 95 to 113, inclusive.

* * * * * *

31.

The Commission erred in Paragraph A of said Order in ordering Respondent to decrease its rates and charges to reflect a reduction in rates which, applied to the 1941 volume of sales, will be not less than $1,100,345. annually, and erred in Paragraph B in ordering Respondent to file schedules of rates and charges to reflect said reduction.

32.

The Commission erred in Paragraph D of said Order in ordering Respondent to cease and desist from making, demanding, or receiving any rates and charges on or after the effective date of the new schedules of rates and charges required to be filed, which do not reflect the reductions ordered in said Order.

33.

Respondent says that there was enacted by the 77th Congress an Act cited as the "Emergency Price Control Act of 1942" and that the same became a law January 30, 1942, known as Public Law 421—Chapter 26—77th Congress, Second Session, and appears in United States Code Annotated, Title 50, Section 901 to Section 946, inclusive. Said Act is stated to terminate on June 30, 1944, but during the continuance thereof the Office of Price Administration created thereby is given full and complete authority over maximum prices of commodities and services. In Section 302 of said Emergency Price Control Act (U. S. C. A. 50, Section 942c) it is provided "that nothing in this Act shall be construed to authorize the regulation * * * (2) rates charged by any common carrier or other public utility * * *." Respondent says that it is not a public utility, and that the Natural Gas Act does not define a natural gas company as a public utility, but provides that the regulation of the prices charged by natural gas companies is necessary in the public interest and that the business of selling natural gas for ultimate distribution to the public is affected with a public interest.

Acting pursuant to the authority conferred by said Act, the Office of Price Administration has fixed maximum prices for natural gas in Price Schedule No. 88, being referred to as Part 1340—FUEL—Section 1340.159, Appendix A, paragraph (d), in which the maximum price for natural gas, known as "dry gas", is fixed at such price that could be charged under the terms of a contract in effect May 1, 1942. (Federal Register, December 30, 1942, Volume 7, Number 254, page 11069.) Respondent says that the prices which it now is charging its customers for gas sold for resale is in no instance higher

than that in effect for each such customer on May 1, 1942 and in some instances is less than the price in effect on that date. Respondent says that under the regulations established by the Office of Price Administration, Respondent has the right to charge the prices now in effect, providing that said Emergency Price Control Act is applicable to the sales of gas by Respondent, during the period of the effectiveness thereof which now provided is to extend to June 30, 1944.

Respectfully submitted,

INTERSTATE NATURAL GAS COMPANY, INCORPORATED.

Dated: May 13, 1943.

* * * * * * * * * *

ORDER MODIFYING ORDER REDUCING RATES AND DENYING PETITION FOR REHEARING.

161 United States of America.

Federal Power Commission.

Commissioners: Leland Olds, Chairman, Claude L. Draper, John W. Scott and Clyde L. Seavey. Basil Manly not participating.

June 9, 1943.

In the Matter of

Interstate Natural Gas Company, Inc.

Docket No. G-149.

Louisiana Public Service Commission, Complainant,

v. Docket No. G-132.

Interstate Natural Gas Company, Inc., Defendant.

Upon consideration of the petition filed with the Commission on May 18, 1943, by Interstate Natural Gas Com-

pany, Inc., praying for a rehearing on the Commission's Order Reducing Rates entered on April 27, 1943, and the Commission's Opinion No. 91; and

Upon a re-examination of said order, in so far as it provides for a reduction of $8,762 in rates to seventeen distribution companies in Mississippi and Louisiana outside of New Orleans;

The Commission *finds* that:

(1) The reduction in rates to the aforesaid distribution companies, resulting from rate schedules filed by Interstate and made effective on August 1, 1942, represents compliance with the Commission's order, in so far as rates applying to distribution companies in Mississippi and Louisiana outside of New Orleans are concerned;

(2) No new facts have been presented or alleged, and no arguments or principles of law have been stated in Interstate's Petition for Rehearing which justify a reversal or modification of the Commission's order of April 27, 1943, other than to the extent of the modification provided for in this order;

Therefore, the Commission *orders* that:

(A) The Commission's Opinion No. 91 and order of April 27, 1943, be and they are hereby modified by excluding therefrom the item of $8,762 appearing at page 32 of the said Opinion, applying to distribution companies in Mississippi and Louisiana, outside of New Orleans;

(B) The total ordered annual reducton of $1,100,345 as set forth at pages 31 and 32 of the aforesaid Opinion

No. 91, and at page 4, paragraph "(A)" of the order of April 27, 1943, be and it is hereby reduced to $1,091,583;

(C) The Commission's order of April 27, 1943, the effective date of which was heretofore extended to June 15, 1943, shall in all other respects remain and continue in full force and effect;

(D) The petition of Interstate Natural Gas Company, Inc., for rehearing be and the same is hereby denied.

By the Commission.

LEON M. FUQUAY,
Secretary.

TRANSCRIPT OF HEARING BEFORE THE FEDERAL POWER COMMISSION.

* * * * * * *

Mr. Frye:

Mr. Examiner, on behalf of the Louisiana Public Service Commission I would like to call attention to the fact that there are two proceedings pending here, as previously outlined by you, one of which originated with our complaint filed with the Federal Power Commission against the Interstate, and another dealing with the action instituted on the Federal Power Commission's own motion.

Since the filing of our complaint, there have been certain developments in connection with this case, particularly with respect to litigation, that have placed us in a little awkward position, and while we will have a limited amount of testimony to offer, the nature of that testimony is such that we feel it should go into the record

early in the hearing, possibly first, if that is agreeable to the Examiner and the other parties at interest.

Trial Examiner:

Just what is the nature of that evidence?

Mr. Frye:

Well, shortly after our case was instituted, or prior, as a matter of fact, to the time our case was instituted before your Commission, we had instituted proceedings of our own against the Interstate to investigate their rates and charges; and after the proceeding was instituted by us they excepted to our jurisdiction on the ground that they were not common carriers, they were not public utilities, and that they were engaged in interstate commerce, over which we had no jurisdiction.

Our investigation proceeded to a certain point, at which litigation was encountered, and that litigation was tried in the Courts and we were ultimately held to be without jurisdiction. All of the exceptions that they had filed before us were urged before the Court, and were sustained by the Court, and we were permanently enjoined from further attempting to exercise any jurisdiction or further attempting to inquire into the affairs of this Company.

That more or less estopped us from further proceeding with our investigation either before our Commission or in an effort to properly prosecute our case before this Commission; and it was at that time that our proceeding was instituted before you, seeking to have you make this investigation. And our testimony in this case will be confined to a historical statement of what happened before our Commission in our efforts to investigate this company, and a reflection of what our findings were in the matter up to the point that we were stopped by the Courts, under the injunction.

Trial Examiner:

I would like for the parties to state the issues in the proceeding. I assume that there have been some agreements with respect to some points which ordinarily are involved in a rate case. I would like a statement from counsel for each of the parties as to what they consider the issues in the proceeding. Perhaps a statement from counsel for the Federal Power Commission would be appropriate to start with.

Mr. Lange:

I think this, Mr. Examiner, the proceeding involved in the investigation in Docket G-149 is one of the general investigation of the Interstate Natural Gas Company, Incorporated, and of course in its very nature and essence involves all matters relevant to such an investigation; and the Commission, when it issued its order, and when its staff proceeded to do the work in connection with that investigation, of course went into all matters at issue and all matters over which the Commission would have jurisdiction.

It is true, as Mr. Dougherty just stated, that in connection with some of the matters it is our understanding that the Company will not offer any extensive exhibits, particularly the accounting matters, and in view of that Commission counsel at the proper time would be prepared to present our accounting exhibits; and the Company will then, as I understand it, present whatever matters it has in objection to any portion of those exhibits.

Mr. Dougherty:

That is true.

Mr. Lange:

So that procedure would be agreeable with counsel for the Commission, and I think it ought to proceed on that

basis, with the permission of the Examiner, rather than having any stipulation as to what would be agreed to or not agreed to. I think if we would proceed in that fashion as outlined, it would get into the record in orderly fashion and present exactly what each of the parties contend.

Trial Examiner:

Yes, I think that would be the proper procedure.

What is the position of counsel for the Company, other than as already stated?

Mr. Dougherty:

Well, with respect to the items with which we have informally agreed with the staff—for example, original cost—we are making no contest on the original cost as determined by the staff; and as will be presented in the staff's exhibit in this case on the matter of remaining reserves in the field, Monroe Field, we have reached an agreement with the appropriate members of the staff on that. We haven't reduced anything to a formal stipulation, and my thought was that as these various exhibits would be put in, that either at that time we would say that we have no contrary testimony to offer with respect to that, or that with the exception of certain items it is accepted.

As Mr. Lange says, I think that will appear, then, as we go forward in the hearing.

There is only one point that does present any special consideration. The Company sells to three pipe line companies in the Monroe Field, and we will, in this case, urge the question of jurisdiction over those sales on the ground of that provision of the law that says that the Act does not confer jurisdiction on the Commission over production and gathering. With respect to that particular item, we will have testimony that will set forth the

manner and method of operation in the field, and where deliveries are made. Those deliveries are to Mississippi River Fuel Corporation, which then transports the gas north out of Louisiana into Arkansas, Missouri and Illinois; to Southern Natural Gas Corporation, which transports it across the Mississippi River into the States of Mississippi and Alabama and Georgia; and to the United Gas Pipe Line Company, which in turn sells that same gas to the Memphis Natural Gas Company and which is transported through Arkansas up to Memphis.

Those three particular sales we will, at the appropriate time, put in evidence on the jurisdiction over that.

With respect to all the other matters we are raising no question of jurisdiction, and I think as we go forward it will appear that the matters in contest in this case are limited within a very narrow scope.

Mr. Lange:

In connection with counsel's statement as to contesting jurisdiction on certain sales, it is Commission counsel's position that the Commission has jurisdiction over those sales under the Natural Gas Act, and we will so contend in this proceeding.

* * * * * *

P. A. FRYE, appearing as a witness herein, having been first duly sworn, testified as follows:

Direct Examination.

The Witness:

My name is P. A. Frye. I live in Baton Rouge, Louisiana. I am Secretary of the Louisiana Public Service Commission, which position I have held for almost ten years.

I appear here by authority of and at the direction of the Louisiana Public Service Commission.

Our Commission is the complainant in Case 132-G on the docket of the Federal Power Commission, which has been consolidated for hearing here today with Docket 149-G, an investigation instituted by the Federal Power Commission on its own motion into the rates, charges and practices of the Interstate Natural Gas Company, Incorporated.

With the exception of a few documentary offerings, the Louisiana Public Service Commission will, for reasons which I will explain, have no factual evidence to offer in these proceedings, but will of necessity rest its interests in these cases upon such facts as have been developed by the investigation conducted by the Federal Power Commission.

On June 14, 1937, a full year prior to the enactment of the Federal Natural Gas Act, the Louisiana Public Service Commission directed citations to the major pipe line companies serving the Louisiana gas fields and engaged in transporting gas to numerous retail gas distributing systems in the State, to show cause why the Commission should not investigate their affairs and readjust their rates.

These citations were motivated partly by general complaints of gas consumers in the State, particularly in the central and southern portions, against the existing rates and charges of the retail distributing systems; and partly by a general impression on the part of the Louisiana Commission, based upon financial and statistical information relating to the earnings of the pipe line companies, including Interstate Natural Gas Company, Inc., that the operations of the pipe line companies were resulting in excessive and unreasonable returns. The Louisiana Commission to start with entertained no doubt as to its jurisdiction over the retail distributing systems, except in a

few instances where they were specifically exempt from its jurisdiction under the articles of the Constitution creating the Commission, or by legislative act. At the same time, it realized the futility of attempting to fix just and reasonable rates for these retail distributing systems unless and until just and reasonable rates were fixed for the pipe line companies which supplied them with gas.

On June 14, 1937, Interstate Natural Gas Company, Inc., was made respondent in one of these cases, No. 2720 on the Louisiana Commission's docket. On June 21, 1937, that company excepted to our Commission's jurisdiction on the grounds:

(a) that it was not a common carrier pipe line;

(b) that it was not a public utility; and

(c) that a preponderance of the gas sold by it moved in interstate commerce, not subject to regulation by State authority.

These exceptions were in due course heard and taken under advisement.

Our Commission later issued its Order No. 2090 in Case No. 2720, in which it found adversely to Interstate's exceptions and held that Interstate Natural Gas Company, Inc., was a public utility subject to its jurisdiction, and it ordered Interstate to give to our Commission and its representatives access to its property, books and records, for the purpose of determining fair and reasonable rates and charges for gas transported or sold in intrastate commerce in Louisiana.

A certified copy of Louisiana Public Service Commission Order No. 2090 is offered in evidence, to be marked as Exhibit No. 1.

(The document referred to was marked as Exhibit No. 1 for Identification.)

Trial Examiner:
Have copies of this document been served on counsel?

The Witness:
I am doing so now.

Trial Examiner:
Is there any objection to Exhibit No. 1?

(No response.)

Trial Examiner:
Exhibit No. 1 is admitted in evidence.

(Exhibit No. 1 was received in evidence.)

Trial Examiner:
Proceed.

The Witness:
Interstate timely applied for rehearing and reconsideration, and this application was granted to the extent that the matter was orally reargued and supplemental briefs filed. On May 25, 1939, the Louisiana Commission issued its Order No. 2217, reaffirming its Order No. 2090 in all respects.

A certified copy of Louisiana Public Service Commission Order No. 2217 is offered in evidence, to be marked as Exhibit No. 2.

(The document referred to was marked as Exhibit No. 2 for Identification.)

Trial Examiner:
Is there any objection to Exhibit No. 2?

Mr. Dougherty:
No.

Trial Examiner:
Exhibit No. 2 is admitted in evidence.

(Exhibit No. 2 was received in evidence.)

The Witness:
These two orders, together with our original petition and complaint filed with the Federal Power Commission in connection with Docket 132-G, set forth all the pertinent facts relating to the subject matter so far as it was possible for the Louisiana Commission to develop them.

In the interim between the date of our original citation to Interstate, June 14, 1937, and the date of Order 2217, the Natural Gas Act of 1938 was adopted.

The validity of the Natural Gas Act, so far as I know, had not been passed upon by a Court of final resort at the date of our Order No. 2217. However, anticipating the validity of the Act in the event it were contested, and in recognition of the fact that a substantial part of the gas transported by the pipe line of Interstate intended for resale to the public in Louisiana did move by way of an interstate route between the points of origin and consumption, the Louisiana Commission, simultaneously with the handing down of its Order No. 2217 on May 25, 1939, prepared and filed with the Federal Power Commission its complaint and petition directed against Interstate. This complaint and petition was docketed as No. 132-G. Appropriate relief was therein sought as to the matters and things complained of insofar as the Federal Power Commission was vested with jurisdiction.

Interstate thereupon filed against the Louisiana Commission, in the Federal District Court for the Eastern District of Louisiana, Baton Rouge Division (Interstate Natural Gas Company, Inc., vs. Louisiana Public Service Commission et al., Civil Action No. 38) a suit of injunction.

The grounds alleged in Interstate's bill of complaint were substantially those urged in Interstate's exceptions to our Commission's jurisdiction when the matter was before us.

Interstate's application for a preliminary injunction was denied, but the matter was subsequently considered by the Court on its merits, and the Court held the operations of Interstate Natural Gas Company, Inc., not to be subject to the jurisdiction of our Commission, on the grounds that Interstate was not a common carrier pipe line under provisions of Louisiana law; that it was not a public utility, and that the vast preponderance of its operations were in interstate commerce not subject to regulation by State authority. As a result, our Commission was permanently enjoined from proceeding further in the case or from otherwise interfering with the business and affairs of Interstate.

No appeal was taken from that judgment.

The Commission felt that, the Federal Natural Gas Act of 1938 having been enacted, the facts which it had undertaken and would undertake to develop in respect of Interstate's rates and charges to retail gas distributing systems in Louisiana could and would be more fully developed by the Federal Power Commission because of its adequate personnel and facilities.

Shortly after the filing of our Commission's complaint and petition under Docket 132-G, the Chairman of our Commission had a conference with officials and members of the staff of the Federal Power Commission at Washington, as a result of which the Federal Power Commis-

sion instituted its own investigation under Docket No. 149-G.

I make this statement in order that the Examiner and the Federal Power Commission may clearly understand the position of the Louisiana Commission, especially as to its complaint under Docket 132-G.

The circumstances I have detailed have so effectively tied our Commission's hands that it has been unable to do anything of an affirmative nature in attempting to develop evidence to sustain the allegations of its complaint and petition under Docket 132-G without incurring grave risk of placing itself in contempt of the Court's injunction.

That concludes my statement on direct.

* * * * * *

Mr. Dougherty:

If the Examiner please, I have exhibits first to be marked for identification as Exhibits 3, 4, 5, 6 and 7.

(The documents referred to were marked as Exhibits Nos. 3, 4, 5, 6 and 7, respectively, for identification.)

Mr. Dougherty:

If the Examiner please, the Respondent has had marked for identification a number of exhibits. That marked as No. 3 is a general statement covering the organization of the Interstate Natural Gas Company, Incorporated, and a description of its property, and in brief some of its operations.

That marked as Exhibit No. 4 for identification is an agreement between Standard Oil Company (New Jersey) and Ford, Bacon and Davis, Inc., dated October 9, 1925.

Exhibit No. 5 for identification is an acreage map which shows the acreage in the Monroe Field not only of re-

spondent, but also of other producers in that field, including United Carbon Company, Southern Carbon Company, Hope Producing Company, and Union Producing Company, those companies all being involved in the sale of gas to the three pipe lines which I mentioned earlier, the Mississippi River Fuel Corporation, the Southern Natural Gas Company, and Memphis Natural Gas Company.

Exhibit No. 6 for identification is a field line map, showing all of the field lines of Interstate Natural Gas Company, and also containing on its face certain acreage designations in colors, as shown on the map.

Exhibit No. 7 for identification is a main line map which shows the main pipe line of the respondent, which starts at the Desiard compressor station and then continues on to Baton Rouge.

I suggested to Mr. Lange that in the interests of shortening the record, that if it was agreeable to the Examiner, that rather than have this first statement read into the record, I merely offer it as the statement of the Company, with respect to the matters dealt with, and then that if he wished to make any cross examination on it, that Mr. Lerch, the President of the Company, could take the stand and be subject to cross examination.

The statement and the other exhibits which I have referred to have all been furnished Mr. Lange previous to this week, and as far as I know he has had an opportunity to familiarize himself with the contents. So that if that is acceptable to the Examiner, my preference in procedure would be merely to offer these various exhibits which have been marked for identification, and then if Mr. Lange wishes to raise any question as to the accuracy of them, he can do so by cross examination of Mr. Lerch as to the statement, and then of others who participated in preparing the maps.

I think that that is appropriate in view of the fact that so much of the material that we have in these ex-

hibits here has already been furnished to the Commission staff in their investigation. So that would be my preference, if it is satisfactory.

Trial Examiner:

I think it will be well to have the witness sworn and have him identify these documents and make the statement that the facts contained therein are true to the best of his knowledge, and so forth, and then cross examination may be deferred until counsel have had an opportunity to check them for that purpose.

Mr. Lange:

And also admission of the exhibits deferred until after cross examination.

Trial Examiner:

Yes.

Mr. Dougherty:

Mr. Lerch, will you take the stand?

Whereupon, FRANK H. LERCH, JR., called as a witness on behalf of the Respondent, having been first duly sworn, was examined and testified as follows:

Direct Examination.

By Mr. Dougherty:

Q. Will you state your name and your residence?

A. My name is Frank H. Lerch, Jr. I live in Jackson Heights, New York. My office address is 30 Rockefeller Plaza, New York City.

Q. What is your connection with Interstate Natural Gas Company, Incorporated, the respondent in these proceedings?

A. I am the President of that company.

Q. What was your first connection with the respondent?

A. I was interested first in the acquisition of the acreage at the end of 1925, and later in 1926, in the records and operations of the Company during construction, and beginning with the end of 1927 I was resident manager of the Company until December 1, 1933, when I left Louisiana and went to New York to live. At that time I became a Vice President and Director, and about May, 1935, as I remember the date, I was elected President and a Director, and have been that since that time.

Q. So that, since 1926 you have spent all or a substantial part of your business time in connection with the affairs of the respondent?

A. Certainly up to the end of 1933, I spent practically all of my time. After that, a large part of my time.

Q. Mr. Lerch, there have been marked for identification a series of documents, starting with Exhibit No. 3 and continuing consecutively to Exhibit No. 7, inclusive. Exhibit No. 3 is headed, "General Description of Organization, Property and Business" of Respondent.

I think you have had a part in preparing that and have become familiar with its contents?

A. That is right.

Q. And do the statements contained in that Exhibit No. 3 represent facts, as they are purported to be there, and are they correct according to the best of your knowledge and belief?

A. They are.

Q. Now there has been identified as Exhibit No. 4 the Agreement Between Standard Oil Company (New Jersey) and Ford, Bacon & Davis, dated October 9, 1925. Is that a copy of the agreement that was entered into at that time?

A. It is, yes, sir.

Q. Exhibit No. 5 for identification is an acreage map of the Monroe Field, which has been prepared by the engineering department of the Company. Based on your general knowledge of the acreage in that field, is that map a correct representation of the ownership of gas acreage there?

A. To the best of my belief it is a correct representation.

Q. And in any event, there are employees of the Company present who can, in detail, substantiate these various colors and other items shown on the map?

A. That is right, and the records of the Company, of course, would prove ultimately that that was the property of the Interstate.

Q. And this map was made especially at the request of yourself and counsel for use in this case?

A. That is right.

Q. Then there has been marked as Exhibit No. 6 for identification a map showing the field lines of Interstate Natural Gas Company. Does that fairly represent the lay-out of the field lines of the Company in the Monroe Field?

A. It does, yes.

Q. Also shown on here in color, various colors, is the acreage of certain producers, which producers have acreage also shown on the acreage map, No. 5, I believe?

A. That is right.

Q. And this map was prepared at the request of yourself and counsel for use in this case?

A. That is right.

Q. Exhibit No. 7 is the main line map showing the extent of the main pipe line starting at Desiard Station at Fowler, Louisiana, and continuing on to Baton Rouge, and then showing the points of delivery to various customers of Interstate in that area South of Baton Rouge as far as Destrehan, and from which deliveries are made

and from which the gas is taken from the pipe line of the United Gas Pipe Line Company. Does that fairly represent the location of the main pipe line facilities of the Company?

A. It does, yes.

Q. And this also was prepared at the request of yourself and counsel for use in this proceeding, by the Engineering Department of the Respondent?

A. That is right.

Mr. Dougherty:

If the Examiner please, in Exhibit No. 3 for identification reference is made to these succeeding Exhibits, 4, 5, 6 and 7, and there are certain blanks that are left, or were left, since we didn't know the numbers. Would you like to have us have those filled in now, or do you wish to have that detail await the reception of these exhibits in evidence?

Trial Examiner:

I think it would be well that these blanks be filled in now.

Mr. Dougherty:

That would be my thought, and if those who have Exhibit 3 will turn to it, I can tell what those numbers should be.

On page 1 at about the 7th line, reference is made to the agreement between Standard Oil Company (New Jersey) and Ford, Bacon & Davis, and that is Exhibit 4.

The next place is on page 4, down about the middle of the page, where reference is made to a map of the Monroe Field, and that should be Exhibit 5.

Also on that same page, page 4, at the bottom, reference is made to a map showing wells and field lines, and that is Exhibit 6.

On page 6 at about the middle of the page, reference is made to the main transmission line map, and that should be Exhibit 7.

Those are all of the blanks that are required to be filled in. That is because this whole group of exhibits is a series dealing with the same subject matter.

That is all the direct examination of this witness.

Trial Examiner:

Cross examination of this witness will be deferred until counsel have had an opportunity to check the exhibits. Ruling will be deferred also on the exhibits.

We will take a recess of five minutes.

(Whereupon, a five-minute recess was taken.)

Mr. Dougherty:

If the Examiner please, certain of the rate schedules which the respondent has on file with the Federal Power Commission are to be introduced as exhibits, and I have here for marking in the first instance a group of contracts that relate to sales in the field.

I will ask that the reporter mark these documents as Exhibits 8 to 12 inclusive, respectively, for identification.

Trial Examiner:

They may be so marked.

(The documents referred to were marked for identification as Exhibits 8 to 12 inclusive.)

Mr. Dougherty:

If the Examiner please, we have had marked for identification as Exhibit No. 8 a list of Federal Power Commission rate schedules which respondent has on file, and

in that list reference is made to the original filing, together with all the various supplements, the effective dates and the filing dates, and if a particular supplement or exhibit has expired, that notation is made in the column headed "Remarks".

Then as Exhibit 9 for Identification we have had marked the existing Rate Schedule FPC No. 4, which is referred to in Exhibit 8 on the first sheet or two. That Exhibit No. 9 for Identification is the agreement for the sale of gas to the Mississippi River Fuel Corporation. It will be noted that the agreement is not only with the Interstate Natural Gas Company, Incorporated, but is also with the Hope Producing Company. That joint contractual arrangement will be found to exist with respect to all of these field sales, since those two companies together furnish a certain quota of gas that is sold to the customer in each instance.

Exhibit No. 10 for Identification, which is Rate Schedule FPC No. 24, is a contract covering the sale of gas to the Southern Natural Gas Company.

Marked as Exhibit No. 11 for Identification is FPC Rate Schedule No. 15, being a contract with United Gas Pipe Line Company, formerly the Southern Gas & Fuel Company, for the sale of gas to that company in the field.

Exhibit No. 12 for Identification is Rate Schedule FPC No. 6, which is the contract for the sale of gas to United Gas Public Service Company for delivery to the Memphis Natural Gas Company. It so happens that the original contract in the field for the sale to Memphis Natural Gas Company was made by a predecessor of United Gas Pipe Line Company and it, in turn then, buys a certain proportion of the gas so sold from other producers in the field. So that our contract is not with the Pipe Line Company but is through the United Gas Pipe Line Company for delivery to the Memphis Natural Gas Company.

These have been compiled by us in exact accordance with the documents on file, and, so far as we know, are exactly in accordance with those.

So I will just offer for the record, in evidence, Exhibits 8 to 12 inclusive.

Mr. Lange:

In connection with the exhibits that you have just offered, which of the exhibits incorporate the rate schedules on which the company is resisting jurisdiction?

Mr. Dougherty:

That would be Exhibits 9, 10 and 12. Exhibit No. 11 covers the sale to United Gas Pipe Line Company in the field, which gas is then transported by Interstate Natural Gas Company through its pipeline to Baton Rouge and is a part of the general sale of gas to New Orleans, and we are not raising any question on that, but on the other three.

Trial Examiner:

These exhibits, as I understand it then, represent true copies of schedules and the supplements thereto, on file presently with the Federal Power Commission?

Mr. Dougherty:

That is correct.

Trial Examiner:

Is there any objection to these exhibits?

Mr. Lange:

None, excepting that they would be subject to checking with those that are on file; as to any possible errors or discrepancies.

Mr. Dougherty:
That is satisfactory.

Trial Examiner:
I assume of course that the original would take preference in any case where there might appear to be a deviation therefrom. Does counsel for the Federal Power Commission have in mind making a check of these documents within the next day or so?

Mr. Lange:
Yes, sir.

Mr. Dougherty:
I might say, Mr. Examiner, that as will be noted, a good part of these contracts are printed, and there are some that are not. However, they present the same difficulty, and that is that we don't have enough copies to furnish the complainant or intervener, but for their information these particular contracts refer to sales in the field which do not concern themselves with deliveries in Louisiana whatsoever. So I think that because of my inability to furnish copies it will not be in any way a detriment to them.

* * * * * *

I will ask that these documents be marked for identification as Exhibits Nos. 31 to 37, inclusive.

Trial Examiner:
They may be so marked.

(The documents referred to were marked as Exhibits Nos. 31 to 37, inclusive, for identification.)

Mr. Dougherty:

If the Examiner please, I have had marked for identification as Exhibit No. 31, a List of Agreements Covering Sale of Natural Gas for Resale to a group of communities or distributing companies for resale in various communities in the State of Louisiana, along the respondent's pipe line West of the Mississippi River, that is, through the territory before the pipe line crosses the River and gets into interstate commerce. Those have been marked as follows:

As Exhibit 32, an agreement with Louisiana Power & Light Company for resale of gas in Ferriday, Louisiana;

As Exhibit No. 33, an agreement with Louisiana Power & Light Company for resale of gas in Gilbert, Louisiana;

As Exhibit No. 34, a contract with Louisiana Power & Light Company for resale of gas in Wisner, Louisiana;

As Exhibit No. 35, a contract with the Peck Gas Company for resale in the town of Peck;

As Exhibit No. 36, a contract with Sicily Island Gas Company, Inc., for the resale of gas in that community, or a community known by that name, I don't know whether it is a town or not;

As Exhibit No. 37, a contract with the Town of Vidalia, Louisiana, for distribution in that town.

These contracts, that is, Exhibits 32 to 37, both inclusive, have not been filed with the Federal Power Commission for the reason I have indicated. They are, to the best of my knowledge and belief, exact copies of our contracts, they were prepared in New York, and I don't know that I have here anyone who could immediately testify that they are accurate copies, without first examining them. I think I can assure the Examiner and counsel for all parties that they are exact copies, however, and were prepared at my request for use if it were deemed advisable to put them in in this case.

Trial Examiner:
Under your view of the matter, these would be intrastate sales?

Mr. Dougherty:
That is right.

Trial Examiner:
Are they on file with the Louisiana State Commission?

Mr. Dougherty:
No. That is, they are intrastate sales in this sense, that they represent about 1/10 of 1 percent of the amount of business that is sold. When this litigation that the Commission speaks about was brought up, they were seeking to exercise jurisdiction over all of the Company's business, and I think the viewpoint of the Court was that this was such an immaterial part of the total business of the Company, as not to give them jurisdiction. We have never filed them with the Federal Power Commission because the gas is delivered to those companies before the gas actually moves in interstate commerce. I think the question as to whether the Power Commission could exercise jurisdiction over them because of their relationship to the interstate business of the Company, that is, it all being co-mingled gas and being just a small amount of gas that comes out of the Interstate stream as it passes along, would present a legal question that might be decided to hold that the Federal Power Commission had jurisdiction.

But there has been no question about that, and as I say, the reason they were not filed was because of that fact, and then also there is some question as to what jurisdiction the Louisiana Commission has over the wholesaling of gas as distinguished from the distribution companies. I don't mean by that to get into any con-

troversy as to whether they have or not, but you see that this is a sale at wholesale and not a sale that is the ordinary sale by a distributing company.

Trial Examiner:

Well, what I was trying to determine was whether or not there was any official copy against which these copies might be checked. I assume that there is none?

Mr. Dougherty:

There is an official copy which lies in the files of the Company, I think in New York. There may be one in Monroe, I am not sure. These were prepared in New York and checked. I didn't do it myself, but I had it done and I have every assurance that they are accurate.

Now in the lawsuit, Mr. Lerch reminds me that in the lawsuit which we had with the Louisiana Public Service Commission, all of these contracts were introduced in evidence with the prices deleted, and we did identify them there, and I think Mr. Cahn, the counsel for the Commission at that time, is here in New Orleans, and if he has the record they could be checked against those copies because they are official exhibits in that case, and were introduced officially in evidence.

Mr. Lange:

These are complete copies, as I understand it, Mr. Dougherty?

Mr. Dougherty:

Absolutely. I would expect that if I gave them to somebody to compare with the signed copies of the effective contracts, they would get on the stand and say they are. That would be my anticipation.

Mr. Lange:

Then he would have no objection.

* * * * * *

BERNIE WILENZICK, called as a witness on behalf of the Respondent, having been first duly sworn, was examined and testified as follows:

Direct Examination.

By Mr. Dougherty:

Q. Will you give us your name and residence?

A. My name is Bernie Wilenzick and my address is Monroe, Louisiana.

Q. By whom are you employed?

A. By the Interstate Natural Gas Company, Inc., in their Monroe office.

Q. What is your position with that company?

A. My position is that of Chief Clerk of the Gas Measurement Department.

Q. How long have you worked for the Interstate Natural Gas Company?

A. Since 1929.

Q. And what different jobs have you had since you started to work for them?

A. Since 1929 I have been most of the time in the Gas Measurement Department, which deals with the measurement of gas and the billings therefor.

Q. Do you have in your Department the company records and statistical data that show the quantities of gas sold and the prices charged and collected therefor from the various customers?

A. I do.

Q. Do you also have in your department records relating to the quantities of gas purchased in the Monroe field, or elsewhere, by Interstate?

A. Yes.

Q. I hand you, Mr. Wilenzick, a document that has been marked for identification as Exhibit No. 38, and which has a heading, "Analysis of Present Purchase Contracts in (1) Monroe Field; (2) Fields Other Than Monroe Field." Did you prepare that statement at the request of Mr. Cooper?

A. Yes, I did.

Q. And what does that statement show, that is just in brief, not reading the figures but I mean the substance of it?

A. It shows an analysis of all our present purchase contracts segregated as to the Monroe Field and the Fields Other Than the Monroe Field.

Q. And was the information which is contained in that exhibit prepared by you from the Company's records?

A. Yes, it was.

Q. And is it correct to the best of your knowledge and belief?

A. It is.

Q. I hand you a document that has been marked for identification as Exhibit No. 39, and which is entitled, "Analysis of Field Sales Contracts Years 1937 to 1941, Inclusive". Did you prepare that statement?

A. Yes.

Q. And was it prepared from the records of the Company?

A. Yes.

Q. And is it correct and does it show the facts with respect to those field sales, to the best of your knowledge and belief?

A. Yes, it is and it does.

Q. I am handing you a document which has been marked for identification as Exhibit No. 40, and which

has been headed, "Analysis of Present Industrial Contracts—Years 1937 to 1941, Inclusive". Did you prepare that statement?

A. Yes.

Q. And is that from the Company's records?

A. Yes, sir.

Q. And is the information contained in there correct according to the best of your knowledge and belief?

A. Yes.

Q. I am now handing you a document which has been marked for identification as Exhibit No. 41 and which is entitled, "Analysis of Sales to Distributing Companies—Years 1937 to 1941 Inclusive". Did you also prepare that from the records of the Company?

A. Yes.

Q. And are the facts contained in there correct?

A. Yes, sir.

Q. Does that last named exhibit show the sales to the municipalities which do their own distributing of gas?

A. Yes.

Q. That is, although the title says "Distributing Companies", that shows all sales for either municipalities or distributing companies for resale?

A. Yes, sir.

Mr. Dougherty:

That is all the direct examination of this witness and I wish to offer in evidence Exhibits Nos. 38 to 41 inclusive.

EDEL F. BLANKS, called as a witnes on behalf of the Respondent, having been first duly sworn, was examined and testified as follows:

Direct Examination.

By Mr. Dougherty:

Q. Will you state your name and address, please?

A. Edel F. Blanks; and my address is Monroe, Louisiana.

Q. What connection do you have with the Interstate Natural Gas Company?

A. At the present time I serve in the capacity of Production Superintendent and Chief Dispatcher.

Q. And as Production Superintendent and Chief Dispatcher do you have full charge of the field operations of the Company in the Monroe Field?

A. I do.

Q. As well as other fields where they buy gas?

A. I do.

Q. How long have you been working for the Interstate Natural Gas Company?

A. Since April 1, 1926.

Q. Will you tell us what your first connection was, and what different jobs have been that you have had with that Company?

A. In April 1926 I was employed by Ford, Bacon & Davis, Inc. at their construction office at Desiard Compressor Station near Fowler, Louisiana. My duties at that time were general construction office work, time keeping, and numerous other miscellaneous jobs. Later I worked on the pipeline in the capacity of time-keeper, checking pipe, and odd jobs. I went back to Fowler in about September of 1926 in the same capacity as I started.

When operation of the pipe line began in January, 1927, I served as a dispatcher probably up until April or

May of that year, at which time I was transferred to the Gas Measurement Department in the Monroe office. My duties there consisted of part-time work in the office, dealing with gas measurement problems, and part field work, pertaining to repairs of meters and running gravity tests and other items connected with gas measurement. I served as part time field and office employee until about 1928 or 1929, at which time I supervised the gas measurement work in the Monroe office exclusively.

In 1932 I was promoted to chief dispatcher for the Interstate Natural Gas Company. My duties then consisted of maintaining proper pressures on the main line and in our gathering system in the field, and seeing that the quantities of gas delivered from each point of delivery were within the contracts as existed from purchasers and also as far as production was concerned.

In 1938 I was put in charge of gas measurement along with dispatching and production, which I had assumed charge of sometime between 1932 and 1938, and I have been employed in that capacity to this date.

Q. Now as chief dispatcher of the Interstate Natural Gas Company does there come under your jurisdiction the question of the movements of gas which Interstate both produces and purchases, to its various customers?

A. Yes.

Q. In addition to that, do you have anything to do with dispatching of gas that is delivered to the Mississippi River Fuel Corporation by other vendors in the Monroe Field than Interstate?

A. Yes, as chief dispatcher for Interstate I, and the dispatchers under my supervision, am charged with the responsibility of making contacts for dispatching purposes with the Mississippi and with the Southern Natural Gas Company. Those contacts consist of the acceptance of designated amounts of gas which they want delivered

to them. We then compute the amount of gas to be allocated to each one of the four producers making deliveries to those two points, and in turn we notify these producers that there is to be a change in their delivery to these customers, and when we have been advised by them that they are ready to make the change in the deliveries, we notify the dispatchers at the Mississippi River Fuel and they make the changes in deliveries from the producers to each, the Southern Natural and the Mississippi River pipelines.

Q. So that with respect to deliveries made to Southern Natural Gas Corporation and Mississippi River Fuel Corporation is it true that your dispatching organization, and by that I mean that of the Interstate Natural Gas Company which is under your charge, stands in between each of those two pipeline companies and the other producers in the field that sell to them, as a dispatching unit to handle the deliveries of gas and keep the quantities coming in at the proper amounts that should be delivered?

A. That is correct.

Q. Do you know the names of those other producers?

A. Yes. The United Gas Pipe Line Company; the Southern Carbon Company; and the United Carbon Company.

Q. Is there also a company named Hope Producing Company?

A. Yes, Hope Producing Company.

Q. Are you familiar in general with the contracts under which those companies sell gas to Mississippi and to the Southern Natural Gas Company?

A. I am.

Q. Do you know whether or not the contract with Mississippi which Interstate has, sets forth in it the various proportions which these producers you have mentioned sell of the total demands for gas by Mississippi?

A. Yes.

Q. And is that also true of the contract which Interstate has with Southern Natural?

A. Yes.

Q. Now in your work both in dispatching duties and as superintendent of the field, have you become familiar with the properties of Interstate Natural Gas Company in the Monroe Field?

A. Yes.

Q. Does your jurisdiction extend to the supervision of the drilling of wells?

A. Yes; as production superintendent I have charge of the supervision of drilling of wells, not the actual drilling but of matters pertaining to setting casing and seeing that the job is done properly in accordance with the methods desired by Interstate.

Q. Well, does the company contract out the actual drilling of its wells?

A. They do.

Q. And are the relations of the contractor with the Interstate Company under your supervision?

A. Yes.

Q. Do such matters as the quantities of gas to be produced and what wells shall be put into the lines, and things of that sort, come under your charge?

A. They do, through the dispatching.

Q. And they are handled by the departments of which you are the head?

A. That is true.

Q. The two departments?

A. Yes.

Mr. Dougherty:

I will ask the reporter to mark these next four exhibits for identification as Exhibits 42 to 45, inclusive.

Trial Examiner:

They may be so marked.

(The documents referred to were marked for identification as Exhibits 42 to 45 inclusive.)

By Mr. Dougherty:

Q. There has been marked for identification as Exhibit No. 42 a statement entitled, "Description of Natural Gas Properties and the Production and Gathering Operations of the Company in the Monroe Gas Field, Morehouse, Union and Ouachita Parishes, La.". Did you participate in the preparation of that exhibit?

A. I did. This exhibit was prepared with the help of Mr. Cooper. Mr. Cooper prescribed the form and I put the facts into it.

Q. And have you read it over since it was prepared?

A. Yes.

Q. And have you familiarized yourself with the various statements that are in it?

A. Yes.

Q. Did you check the various factual statements and statistical data therein?

A. Well, there are one or two items in here pertaining to figures which I had given to me by the persons that knew from the records what they were. For instance, the figures as to acreage were obtained for me from the records of the Company.

Q. Obtained by whom?

A. Different ones under my supervision.

Q. And did they obtain this information that you are speaking of now, such as acreage, pursuant to a request which you made to get it for you for this purpose?

A. That is correct.

Q. Are the various statements and information contained in the written text of that exhibit true and correct according to the best of your knowledge and belief?

A. They are.

Q. Now there are certain photographs in there; did you have anything to do with having those taken?

A. Yes, I accompanied the photographer and designated the pictures to be taken and to be put in this exhibit.

Q. Do you recognize the various photographs as showing the buildings and other things which they purport to show and which are described on a little slip that is attached to the bottom of each photograph?

A. I do.

Q. In carrying out your general duties as chief dispatcher and field superintendent, are you required to occasionally or from time to time go to the Southern Natural and Mississippi compressor stations and their meter runs as shown on those various photographs?

A. Yes.

Q. And are you familiar with their layouts and the general character of the buildings, their contents, and so forth?

A. Yes.

Q. Are you also familiar with the compressor station and pipe layouts of the Memphis Natural Gas Company?

A. Yes.

Mr. Dougherty:

If the Examiner please, there are some references to exhibits in this Exhibit 42, which I think we might put in here now.

On page 1, under heading II, that first reference, that is to the acreage map, is to Exhibit 5 which was offered earlier, or at least identified earlier, and so that should be Exhibit 5.

The next paragraph, that is the last paragraph at the bottom of the page, referring to the field map, refers to Exhibit 6.

Then on page 2, at the top of page 2, it refers to an exhibit which I have not yet spoken of but which I have had identified as Exhibit 43.

The next blank on page 2 calls for the insertion of Exhibit 44, and the next blank calls for the insertion of Exhibit 45.

Those are the only ones where there are any blanks left for the filling in of exhibit references.

By Mr. Dougherty:

Q. Mr. Blanks, I hand you a document that has been marked as Exhibit No. 43 for identification, which is entitled, "Dispatching Diagram". Are you familiar with that diagram?

A. Yes.

Q. And did you have that prepared under your supervision?

A. Yes, by the Engineering Department.

Q. The Engineering Department of the Interstate Natural Gas Company?

Q. Yes.

Q. Do you use such a diagrammatic sketch in the actual work of dispatching gas?

A. Yes. That map serves, while not showing ownership of locations, just as a dispatching diagram showing schematically the location of the wells and field lines and the points of delivery in the field, and also the lines coming into Desiard from the gathering lines.

Q. Well, was this particular diagrammatic sketch or dispatching diagram as it is called, in existence and used by you prior to preparing it for use in this case?

A. Yes, it is used in the dispatching office to keep the dispatchers on duty fully aware of the connections throughout the field that are made from time to time, and the way the gas might be able to flow in the event of any change in the system.

Q. So that it was not made especially for this hearing, but copies were made of the map you actually use in your work?

A. That is correct.

Q. Are there shown on this dispatching diagram, that is Exhibit 43, any field lines which are not actually currently in use? What I have in mind is—are there any field lines that might be shown on the map which is the map of the field lines, Exhibit 6, which possibly are out of use and therefore would not be shown on this dispatching diagram?

A. No, there are none that are not in use. This shows the lines regardless of whether they are in use or not.

Q. I see. So that this dispatching diagram would show all of the existing lines of the Company, whether gas is actually moving through them from a particular well at the present time?

A. That is true.

Q. Now are there shown on this sketch delivery points where Interstate receives gas from certain producers in the field?

A. Yes.

Q. For example, at the lower right hand corner where the word Fairbanks appears, just above that is a square in which are the characters "So. Car." What does that mean?

A. That is one of the points at which Southern Carbon Company delivers gas to Interstate.

Q. Then just a little above that on this exhibit is the word Fowler, and to the left of the word Fowler is a square in which is the word "Desiard". What does that indicate?

A. That represents the location of our Desiard Compressing Station.

Q. Is that the only compressing station which Interstate has in the Monroe Field?

A. That is.

Q. And is that the station from which the 22 inch main line starts?

A. Correct.

Q. Then East, or to the right I should say, of this point marked Fowler, are some lines and then the words "Utd. Carb. Co." What do they indicate?

A. That is one of the points at which the United Carbon delivers gas to Interstate.

Q. Now in general, wherever there are two phrases, either that indicating Southern Carbon or that indicating United Carbon, do they mean that at such point or points there is a delivery from the designated company?

A. That is correct.

Q. How much gas does Interstate buy from Southern Carbon Company on the average per day at the present time?

A. 25,000,000 cubic feet.

Q. Per day?

A. Per day.

Q. And how much from United Carbon?

A. Ten million cubic feet per day.

Q. At the present time where are deliveries made to Interstate by each of those companies?

A. In the lower right-hand corner where you see described "So. Car—Fairbanks", Southern Carbon is delivering some of their gas.

Q. And into what field line does that gas go?

A. Into field line F-2. Then the Southern Carbon is also making deliveries at the northernmost end of line F-1. There is a point there called Perryville, at which Southern Carbon delivers part of this 25,000,000 feet per day. Then, where you see the United Carbon Company legend just east of Desiard, or Fowler, the United Carbon at present is making their entire deliveries at that point.

Q. Are there any deliveries being made by either Southern Carbon or United Carbon at the present time into F-1, between Desiard and Perryville?

A. Between Desiard and Perryville?

Q. Yes.

A. Not at the present time, no.

Q. And how long has it been since deliveries into F-1, for example, at the place marked Cargas, and then at the place marked Guthrie, or near Guthrie—that those companies made deliveries?

A. Well, the United Carbon Company has not made any deliveries there since February of this year. The Southern Carbon has not made any deliveries at Guthrie for a little over a year.

Q. Is Interstate buying a lesser quantity of gas from each of those two companies at the present time than formerly was purchased, that is prior to the last year, say?

A. Correct. There was a reduction in the amount that we are buying from those two companies made in February of this year, 1942.

Q. Now the gas that is delivered by United Carbon where it is so indicated, east of Fowler, into what field line of Interstate does that flow?

A. It flows into F-13. It comes into Desiard through F-13, is introduced into line F-45, and finds its way into line F-1, or it may go into the compressor station through line F-2.

Q. Now over on the right hand side of this Exhibit No. 43 is the word Perryville, and then there are some squares and lines indicating various pipe lines, and there are the words "Miss. R. Fuel", and also "So. Nat." What do those indicate?

A. The first represents the property of the Mississippi River Fuel Corporation, on which is located their compressor station and also the metering station through

which Interstate makes its deliveries, along with the other producers, to the Mississippi River Fuel.

The second is the property of the Southern Natural Gas Company on which site is located their compressor station. However, the point of delivery to them is over on the property of the Mississippi River Fuel Corporation. The metering station of the Mississippi River Fuel and the Southern Natural lie parallel to each other at that point.

Q. Now referring to these photographs in Exhibit 42, and particularly the one on page 25, is that a view of the compressor station of the Mississippi River Fuel Corporation at Perryville, concerning which you have just been talking?

A. Yes, that is a general view from the north.

Q. And the photographs that then appear at pages, 26, 27, 28, 29 and 30 all relate to buildings or installations of various sorts at that same compressor station?

A. Yes.

Q. Now, then, the photograph at page 31 which says, "Southern Natural Gas Company—General View", is that of the compressor station at this point at Perryville which you have just been talking about?

A. It is.

Q. And do those photographs that follow on the succeeding pages, those which are marked Southern Natural Gas Company, relate to the installations at this particular station?

A. They do.

Q. Now the photograph at page 35, and the ones on successive pages up through to page 37, that is, pages 35, 36 and 37, which are headed Memphis Natural Gas Company—where on this dispatching diagram, Exhibit 43, is located that particular station, photographs of which are included in this Exhibit No. 42?

A. That station is located at Guthrie, which is just about half way between the point designated Desiard and the point designated Perryville, and it is designated as Guthrie.

Q. And is that the square in which appears the word "Memphis"?

A. Correct.

Q. I am handing you a document which has been marked for identification as Exhibit No. 44, and which is entitled, "Desaird Station Layout Sketch". Was that prepared under your supervision and at your request by the Engineering Department of Interstate Natural Gas Company?

A. Yes.

Q. And without going into any great detail, briefly tell us just what that sketch shows?

A. This Desiard Compressor Station layout shows the piping within the plant yard. It shows the manner in which these lines from various sections of the field bring the gas that is gathered from our production area, and also from points where we purchase gas. These lines have been colored in several different colors, showing the flow of the gas through these lines, together with the approximate pressure at which they are now operating.

Q. That is, where you have in purple at the lower left-hand part of this diagram "135 to 150", does that mean that the line that is shown in purple carries gas at approximately those pressures?

A. That is correct.

Q. And so on with the other colors?

A. That is true.

Q. These sketches against which are shown the words, "Unit #1", "Unit #2", "Unit #3" and "Unit #4", which are drawn as though they were pipes, what are those installations?

A. That is the compressor station piping proper, including the suction lines.

Q. Are there any meter sections shown at that point around those units?

A. No.

Q. Do those unit numbers refer to the compressor units inside the compressor building?

A. They do.

Q. That is, the pumping equipment?

A. Yes.

Q. Are the meter settings shown on this diagram at all?

A. Only one. That happens to be the deliveries by the United Gas Pipe Line Company to Interstate for transportation.

Q. Now the flow arrows, or the arrows along these various lines, do they indicate the way that gas is currently moving through those lines into the Desiard Station piping in the yard?

A. That indicates the flow of the gas through that particular line and it designates the line into which it is at present flowing, and you will note that there are some that are double-arrowed which indicates that gas at times flows either way through those.

Q. Well, are there times when you do shift the direction of flow of gas through some of these lines to meet the particular operating requirements as they arise from time to time?

A. That is correct.

Q. I am handing you a document which has been marked for identification as Exhibit No. 45. Did you have that prepared under your direction?

A. I did. This was prepared in the engineering department also. This is a schematic diagram of the delivery points to the United Gas Pipe Line Company at the Memphis Station at Guthrie, Louisiana, and to the South-

ern Natural Gas Company and the Mississippi River Fuel Corporation at Perryville. These are from actual operating notes. This was prepared for notebook use by field men.

Q. Looking at that part on the right that is marked "So. Natural Sta." and "Miss. R. Fuel Sta.", "Perryville, La.", just above that are shown various lines with crosses on them. What do those crosses indicate?

A. They indicate gate valves.

Q. And then I see at one place in the line, two lines at right angles, against which is the letter "M". What does that indicate?

A. That indicates meter runs.

Q. And would those lines that are right underneath the words, "So. Natl. Suction" represent the location of the meter runs through which gas is delivered to the Southern Natural Gas?

A. Yes.

Q. I notice the word "Hope" against one or two of the lines; what does that indicate?

A. That indicates the meter runs of the Hope Producing Company through which they deliver gas to the Southern Natural at times.

Q. This line where it says, "So. Natl. 20"—", what does that indicate?

A. That indicates Southern Natural Gas Company's 20 inch main line leaving Perryville.

Q. Do you show on this diagrammatic sketch, Exhibit 45, any lines showing deliveries by other producers in the field outside of the Hope Company and Interstate Natural Gas Company?

A. Not on this exhibit, no.

Q. Well; now, through which of these field lines does the gas of Interstate Natural Gas Company flow for delivery to Southern Natural?

A. It flows out of line F-1 into line F-33A; then directly into the meter run through which it is delivered to the Southern Natural.

Q. Now also shown there is the compressor station of the Mississippi River Fuel Corporation. Through what lines does Interstate deliver gas to that company at that compressor station?

A. Exactly the same lines as it delivers through to Southern Natural.

Q. That is, from F-1 into F-33A, and then direct to the meter runs?

A. That is correct.

Q. So that the gas is being delivered to those two companies after it gets up to the point of intersection of F-1 and F-33A, moves exactly the same up to the point where it enters the meter runs of each respective company?

A. Correct.

Q. Now with respect to the Memphis Natural Gas Company which is shown on the left side of this diagram, through what field lines does Interstate deliver gas to the United Gas Pipe Line Company for this Memphis Natural station?

A. The gas comes out of F-44 just south of Guthrie; it enters into line F-43, an eight inch line; it then in turn goes to the meter setting designated on this map by "M", at which point it is delivered to the United Gas Pipe Line Company for the account of Memphis Natural Gas Company.

Q. Now I notice on the same side of the exhibit up at the top are the letters "U. C. Co. 6"—". What does that indicate?

A. That indicates the line through which the United Carbon Company delivers gas to the United Gas Pipe Line Company for the account of the Memphis Natural Gas Company.

Q. And just under that is a line upon which are imposed the letters, "S. C. Co. 8"—". What is that?

A. That indicates the line and meter setting of the Southern Carbon Company through which they make deliveries to the United Gas Pipe Line Company for the account of the Memphis Natural Gas Company.

Q. Mr. Blanks, I am showing you a map which has been marked Exhibit 5, and which is headed "Acreage Map". Are you familiar with that map, which purports to show the acreage of the Monroe Field?

A. I am. This map was prepared at my request by the Engineering Department and I assisted in the development of the map.

Q. Do you keep in your office information with respect to the acreage of these other companies which are shown in the legend at the lower right-hand corner?

A. Not in color as it is shown on here. We do have acreage maps, however, but not this particular map which was prepared—

Q. (Interposing): What I mean is do you have the information from which this map was prepared, in your office?

A. Part of it.

Q. And where else did you get the information for the preparation of this particular map, Exhibit 5?

A. Off of maps which were borrowed from the other producers whose properties are shown on this map.

A. Are you familiar in general with the acreage of these other companies as it is shown on this map, and which is located in the Monroe Field?

A. Yes, generally speaking I am.

Q. I notice the symbol of a little circle with lines out from it on here; what does that indicate?

A. That indicates a well that has been drilled.

Q. And those are shown, I observe, over the entire group of acreage, that is irrespective of the company

which owns the well, there are wells shown all over the map. Where did you get the information for that?

A. This was a map that was loaned to us by one of the companies in the field and it is practically up to date as far as all the wells are concerned. I couldn't say that it is absolutely perfect as far as each individual well is concerned, but it is pretty well up to date. There might be a few that are not shown on this map. If so they have been drilled recently.

Q. Now is the acreage of these other companies, for example that which is shown I believe in blue, does that lie at various points interspersed among the acreage of Interstate?

A. It does.

Q. And the Southern Carbon acreage is shown in what color?

A. Yellow.

Q. Does that lie adjacent to acreage of the Interstate Natural?

A. It does.

Q. Is there more than one producing sand in the Monroe Field from which all the wells in that field produce?

A. Well, there is one sand from which the majority of the wells in the field produce. There is a second sand, as they call it, in the field, which has a very few wells producing. Generally speaking, the entire field is one sand.

Q. Is that sand interconnected throughout the field?

A. Yes.

Q. Do you have elements of drainage in this Monroe Field, that is from high pressure to low pressure areas?

Mr. March:

I object to that question unless the witness can qualify as a geologist and testify upon the geological angles of the field. As a condition precedent to his asking that

question it should be necessary to qualify this witness as an expert in geology. I object to the question.

Trial Examiner:
I don't think the witnes has been qualified as a geologist.

Mr. Dougherty:
That is right, he hasn't. He is just a practical gas man, that is all, who runs the field.

Trial Examiner:
Objection sustained.

Mr. Dougherty:
I don't care about pressing it but I think it is a matter that doesn't reqiure an expert geologist to answer. That might go to the weight of it, and the basis of it, but a practical gas man can talk about drainage and know about drainage just as much, and sometimes better, than a lot of graduate geologists.

Mr. March:
Well, it is certainly elementary that a man, to testify in regard to drainage, would have to be trained in petroleum engineering or geology, and it doesn't seem that that would add anything to this record; it would merely confuse the record and the company has adequate geologist to testify, we have a geologist here to testify, and it seems that that question would only confuse the record and would bring in here through a witness that is not qualified to testify in regard to these matters, matters which will be of a very controversial nature and will confuse the record; and if it please the Examiner, we object.

Mr. Dougherty:

I am not insisting on it at all, although I disagree wholly with everything that Mr. March has said. But, as I say, I am not insisting on it.

By Mr. Dougherty:

Q. Are you familiar at all, Mr. Blanks, with the field line systems of these other companies and the areas from which they bring gas both in delivering it to Interstate and also in delivering it to Southern Natural and to the Mississippi River Fuel Corporation?

A. Yes, generally speaking I am.

Q. Can you make reference to that on the map that shows the field lines of Interstate better than on this map, or on this just as well?

A. I suppose I could make it on this one just as well as the other. If you are going to take each company, this Exhibit 5 shows all five of them.

Q. Now the deliveries which you have testified are made by Southern Carbon Company to Interstate, from what general area of their acreage do they come, and in making reference if you can refer on Exhibit 5 to the township and the section number, so that we can get it fairly accurate, that would be helpful.

A. To the Mississippi and Southern Natural?

Q. First the deliveries which Southern Carbon makes to Interstate?

A. The deliveries to Interstate by Southern Carbon that are made at Fairbanks meter station generally come from Range 4 East, Sections 13 and 23, and in Range 5 East, Township 19, Sections 19, 17, 7 and 9. I think that generally covers it.

Q. Now is that the area that is shown in yellow which is to the East and Southeast of the names Fowler and Fairbanks?

A. Yes.

Trial Examiner:

What was the township in Range 4? You didn't give us that?

The Witness:

Township 19 North.

Mr. Dougherty:

It is the same township for both Ranges.

By Mr. Dougherty:

Q. From what area does Southern Carbon deliver gas to Interstate which they deliver into the end of line F-1 at Perryville?

A. Most of that gas comes from over in Union Parish from Township 21 North in Range 4 East, and also Township 22 North, Range 4 East. They might have some other gas entering their line in between there and Perryville, since they have this high pressure line which feeds us at Perryville and originates up in that general location.

Q. The area which you have just referred to, that is Township 22 North and Township 21 North, in Range 4 East—does that lie adjacent to acreage of Interstate Natural Gas Company?

A. It does.

Q. Now from what part of the field does the Southern Carbon Company make its deliveries of gas to Missisippi River Fuel Corporation and Southern Natural?

A. Could I have that question repeated?

(The reporter read the pending question.)

The Witness:

They gather gas from East and West of the Ouachita Parish in Township—

By Mr. Dougherty:

Q. (Interposing.) Ouachita River, you mean?

A. Yes—in Townships 20 North and 21 North, Range 4 East; also from Range 5 East, in around Dewdrop and Macarco; and there is some gas intermingled in their sytem from this other acreage down in Townships 20 North and 19 North, Range 4 and 5, East. It is a commingled system that they have.

Q. Now these areas which you have described, are those the sources of gas for deliveries by Southern Carbon Company to both the Mississippi Company and the Southern Natural?

A. Yes.

Q. Now from what areas does United Carbon Company deliver gas to the Mississippi River Fuel Corporation and the Southern Natural Gas Corporation?

A. Well, they have throughout their system one general system, pipeline system, through which the Mississippi and Southern Natural gas is delivered from Union Parish, Ouachita Parish and Morehouse Parish, their general acreage.

Q. Is their acreage fairly well drilled up through this field?

A. Pretty well drilled.

Q. And do they take from all of these various areas, gas for delivery to these two companies as you have just defined, to the Southern Natural and the Mississippi River Fuel Corporation?

A. No, they make other deliveries to the Memphis Natural Gas Company and to the Interstate Natural Gas Company.

Q. Well, what I meant was—do they have any special portion of the field from which they make deliveries to a particular pipeline, or do they use their whole field system and all of their wells to make deliveries to all of their customers in the Monroe Field?

A. Well, generally speaking most of their gas, as I understand it, comes out of Union Parish. They also purchase some gas. Now on this map the properties of all the companies are not designated. These are the properties designated in color, of the five producers which make deliveries to these particular companies.

Q. That is both United Carbon and Southern Carbon buy from individual producers in the field, of small ownership?

A. That is correct.

Q. Now with respect to Hope Producing Company, which is shown in what color—

A. Pink.

Q. From what areas does that company deliver gas to the Southern Natural Gas Corporation and Mississippi River Fuel Corporation?

A. Well, you will notice up in Township 20 North, Range 4 East, in Sections 36 and 25, they have a small acreage in there from which they produce gas and deliver direct into Perryville to the Mississippi River Fuel Corporation, or if need be, to the Southern Natural Gas Company. Also over in Section 26, Township 20 North, Range 3 East, they have a 40 acre tract on which there is one well. This gas is sold to Interstate and delivered into their gathering line at that point. In the lower right-hand corner of Township 20 North, Range 3 East, they have acreage with wells on it; also in the lower lefthand corner of Township 20 North, Range 4 East; also in Township 19 North Range 4 East, in Sections 42, 43, 7 and 45, they have acreage.

Q. From these wells that you refer to in Township 20 North, Range 4 East, does that gas all go to Perryville?

A. It does.

Q. And is that delivered either to Southern Natural or to Mississippi, as the case may be?

A. Yes; at the present time it is being delivered to the Mississippi River Fuel.

Q. Now in handling the dispatching of the gas that moves to the Mississippi River Fuel Corporation and the Southern Natural Gas Corporation, do you have to keep in contact with the producing superintendent of the United Carbon Company and of Southern Carbon Company?

A. Yes.

Q. Suppose you tell us just how you handle that joint dispatching arrangement for gas which is delivered to those companies by these five producers whose names have been previously mentioned, and whose names are shown on the bottom of this map, Exhibit 5?

A. Each pipeline company notifies the Interstate dispatcher on duty of the quantities of gas that they would have delivered to their companies by the group of producers consisting of the five producers. The Interstate dispatcher in turn, knowing all the contract percentages on which the quota to each producer is to be allocated, computes the amount based on the quantities requisitioned by the pipeline companies. After computing these quantities the dispatcher notifies a representative of each one of these companies of the proposed change in deliveries that is to be made. The representative of each producer, after having been notified, informs the Interstate dispatcher at that time, or maybe later, as to whether they are in a position to make the change, increase the deliveries or decrease them as the case may be. When each producer has signified his readiness to make his percentage deliveries of this gas, the Interstate dispatcher in turn notifies the dispatcher of the Mississippi River Fuel Corporation of the amounts to be delivered by each producer and tells him at what time to regulate the valves and see that the deliveries are made.

Q. In Exhibit 42, the photograph at page 26 shows Mississippi and Southern Natural meter settings. Will you point to which is the Mississippi and which is the Southern Natural, that is which meter setting is on the right?

A. On the right is the meter setting of the Southern Natural Gas Company. On the left is the meter setting of the Mississippi River Fuel Corporation.

Q. Now referring to the one of Southern Natural on the right, are we looking at the side of the meter house after which delivery is made to Southern Natural, or before it is made?

A. On the side after it has been made.

Q. And is that also true with respect to Mississippi?

A. No, it is on the side on which the Mississippi deliveries are made.

Q. With respect to the picture on page 27, which is headed, "Mississippi River Fuel Corporation—Purchase Meter Setting", does that view which shows at the right a number of small valves with little box-like affairs up above them—is that on the side before or after deliveries of gas are made to Mississippi?

A. Before gas deliveries are made to Mississippi.

Q. And where does the measurement take place?

A. The measurement takes place from orifice flanges and meters that are on the inside of the building shown in the picture, for check purposes by Interstate. The gas then passes through another set of orifice flanges on the downstream side of the meter setting, which are shown to the left of the house; and the gas at this point is measured by the Mississippi Fuel Corporation, the Mississippi River Fuel Corporation. This point of delivery is the point of measurement on which the billing of gas is made.

Q. Does each one of these valves, or one or more of those valves, represent a place on the delivery system from a particular producer? That is, can you point out,

for example, which of those meter runs there, or which of those delivery points, are the ones through which gas is delivered by the various producers in the field to Mississippi?

A. I don't believe I can show from this picture all of them, but the first two valves are on meter runs belonging to the Interstate, through which their gas is measured to Mississippi River Fuel Corporation.

The second two valves are the meter runs through which the Hope Producing Company delivers gas to Southern Natural.

The balance of those lines and valves shown in there are the deliveries made through the runs of Southern Carbon, United Carbon and United Gas Pipe Line Company.

Q. Now are those meter runs to which you have referred all there at one location, side by side?

A. They are.

Q. After the gas then passes through that, and it passes through the meters which are maintained for the purpose of measuring the gas delivered, what happens?

A. After the gas has passed through these meter runs, the gas enters headers at the downstream side of the meter run through which the gas passes on in through scrubbers, a set of scrubbers being shown in the background on this picture, into their suction lines, into the compressor station, and after having been compressed either by low stage or high stage compressors, it is discharged out through this cooling system through dehydrators and on into their main line, going into St. Louis.

Q. After it passes through the meter runs, you say, it goes into a header; is the gas commingled at that point?

A. Yes; at times the gas is commingled with the gas deliveries by other producers.

Q. Well, what I have in mind is—is there any separation of the gas delivered by each producer maintained up to the point where it is compressed?

A. Any separation?

Q. Yes.

A. Yes, there is at times a separation, dependent on the pressures at which the gas is being delivered in order to utilize their horsepower to the best advantage.

Q. That is, if some low pressure gas is being delivered which would have to be compressed twice, that might be kept separate from a higher pressure gas?

A. That is correct.

Q. Is there any difference in the method of delivery at this point by the different producers?

A. None whatsoever.

Q. Now with respect to Southern Natural, the picture at page 32 shows the meter settings. Can you point out which of those settings are the ones through which Interstate delivers gas and the other producers also deliver gas?

A. The first two valves are shown on meter runs belonging to Interstate, through which deliveries are made; and also the second two valves are on runs of the Hope Producing Company. There is a cross-over between just ahead of these two sets of runs, in order that when the load is at peak condition, and providing that the Hope Producing Company does not have sufficient gas to make any deliveries through those runs, we utilize those runs to make some deliveres of Interstate.

Then the third set belong to the United Carbon Company through which they make their deliveries. The next six sets belong to the United Gas Pipe Line Company; and the last two are on the meter runs of the Southern Carbon, through which they make deliveries.

Q. Those small boxes that are up on standards right near the valves, what is in them?

A. Temperature recording gauges, recording the temperature of the gas flowing through those lines.

Q. Is there any difference in the method by which delivery is made there by the various producers to Southern Natural?

A. None whatsoever. I would like to state here that in the deliveries of the other producers to the Mississippi River Fuel, as far as the deliveries of the gas itself are concerned, there isn't any difference except that to the Mississippi River Fuel Corporation all of the gas is not delivered from the Monroe Field. Part of their gas comes from the Rhodessa Field, the Rhodessa line.

Q. You are speaking now only of United Gas Pipe Line Company?

A. That is right.

Q. But with respect to Southern Carbon and United Carbon and Hope Producing Company, your answer is the same?

A. That is correct, the actual delivery of the gas is the same regardless of source.

Mr. Dougherty:

That is all the direct examination I have, if the Examiner please, and I would like to offer in evidence Exhibits 42, 43, 44 and 45.

Trial Examiner:

Have these exhibits been previously served upon counsel for the other parties?

Mr. Dougherty:

I sent one of these to Mr. Lange last week, about Thursday. I don't know just when he got it. It was sent to him here at New Orleans.

Mr. Lange:

It came in Saturday.

Mr. March:

If it please the Examiner, we would like to defer the admission of these exhibits until after cross examination. After these matters have all been offered with regard to the field, we will take up these witnesses and cross examine them in order.

Trial Examiner:

You are not prepared to cross examine the witness at this time?

Mr. March:

I can, if you would rather I do, but I would rather take them in order and let all this matter as to the field be offered first, so that we can see the entire picture. I think it would be better if that were done. However, we can start the cross examination of this witness here now if you desire.

Trial Examiner:

I think it well to follow the usual procedure with respect to cross examination unless there is some advantage in doing it otherwise. If there is, of course the other method would be employed. As I understand it, you have reserved cross examination of the first witness, Mr. Lerch, but I didn't understand that there was to be any cross examination with respect to these different schedules that were filed, but that it was merely a matter of checking the schedules.

Mr. March:

We will want to cross examine Mr. Lerch considerably on his offer, and we will want to cross examine these other witnesses. We thought we would let them go over everything, offer everything in regard to the field, and then take these things and look at the whole picture, and

then take the witnesses up and cross examine them in order. But if you want this man cross examined now we can go right ahead with the matter. I don't know whether they have made their complete offer in regard to field yet or not.

Trial Examiner:

Well, suppose we go on then with the next witness, and cross examination will be reserved with respect to the testimony of Mr. Blanks.

Mr. Dougherty:

There was no other testimony on the field except as it might come in rebuttal and as brought forth by Mr. March's very thorough and searching and exhaustive cross examination which he is threatening us with.

However, Mr. Rhodes can read his statement on deterioration. I don't know as I have it down here, but if we could have a recess then we could do that on direct and they could then continue on cross examination tomorrow.

Trial Examiner:

We will take a recess of five minutes.

(Whereupon a short recess was taken, after which the hearing was resumed.)

Mr. Dougherty:

I will call Mr. Rhodes.

Whereupon, GEORGE I. RHODES, called as a witness on behalf of the Respondent, having been first duly sworn, was examined and testified as follows:

Direct Examination.

By Mr. Dougherty:

Q. Will you state your name and residence?

A. George I. Rhodes. I live in Glen Ridge, New Jersey, in the County of Essex.

Q. What is your profession, Mr. Rhodes?

A. I am an engineer and I am vice-president and a director of Ford, Bacon & Davis, Inc., and also of Ford, Bacon & Davis Construction Corporation.

Q. Is that the same firm that had charge of constructing the Interstate Natural Gas pipeline, and with whom a contract was made, which contract was introduced as Exhibit 4 in this case?

A. The first named firm was the one.

Q. That is Ford, Bacon & Davis, Inc.?

A. That is right.

Q. How long has Ford, Bacon & Davis, Inc. been in business, Mr. Rhodes?

A. Forty-eight years.

Q. And in general what is the character of the business it conducts?

A. Well, in general the business comprises the design, supervision of construction, the construction itself, and the operation of industrial properties, natural gas properties and other public utility properties. It is now engaged in a large volume of war work involving all of these functions. The firm is also engaged in valuation work and the preparation of reports relating to cost estimates for proposed construction, for proposed corporate mergers, and for the sale and purchase of properties and of reports relating to other general engineering and corp rate matters.

Q. What particular type of work do you do yourself with Ford, Bacon & Davis, Inc.?

A. My work with Ford, Bacon & Davis has largely been concerned with engineering and construction work, until recent years when I have devoted some time to proceedings such as this.

Q. Well, will you give us briefly your own educational experience and general qualifications, and particularly what your experience has been in the natural gas industry?

A. Well, I graduated from the Massachusetts Institute of Technology in 1905, working summers on engineering matters during the period of my education, and I remained at the Institute for several months as an instructor.

From 1906 to 1911 I was in the Motive Power Department of the Interborough Rapid Transit Company in New York, and at the time of leaving their employment I was electrical engineer of that department.

From 1911 to 1917 I was connected with the Boston office of White, Weld & Company, investment bankers, as a consulting engineer, doing various types of work that a banker requires in his organization, and in addition, having charge of construction and supervision of operations of certain utility properties controlled or operated by one of the partners.

In 1917 I joined the forces of Ford, Bacon & Davis and have been continuously in the employ of that corporation since, having been made an officer and director in the mid-20's.

During the past twenty years my firm has done a great deal of natural gas work, all of which has been carried out under the joint responsibility of a fellow vice president, Mr. E. G. Hill, and of myself. We were both connected with all of the projects in some degree, my connection being at least that of chief engineer of

Ford, Bacon & Davis finally responsible for engineering designs.

Among the properties away from this vicinity that we developed in this way was a complete production, transmission and distribution system for natural gas in Edmonton, Alberta. My connection with that job was purely as chief engineer for Ford, Bacon & Davis.

The Amarillo to Denver pipeline sytem was also built by us, and my connection with that was in preliminary reconnaisance and a check of the market.

We were also connected with the pipeline from the Amarillo gas field to Chicago. Personally I had charge of preliminary work in reconnaisance, designs and cost estimates for one group of partners who owned the line. We built two sections of the line, the Kansas section being under my immediate direction and the Illinois section being under Mr. Hill's immediate direction. Between them they aggregated about 300 miles.

We also extended the system of the El Paso Natural Gas Company west from El Paso to Douglas, Arizona, and to Mexico, and reenforced the capacity of their former system. All of that work was carried out under my immediate direction, in fact I participated in the original promotion of the project. We also were connected with the Tulsa to St. Louis oil pipeline known as the Ajax line, in which we made the location, purchased the right-of-way and the pumping equipment, and generally designed the system, but did not participate in its construction.

We were also connected with the building of the pipeline from Amarillo to East St. Louis, a gasoline pipeline, in which we were connected with the design of the pumping stations, the location of the lines and the inspection of construction work.

We also built an oil line, as constructors, from the East Texas oil field to Shreveport.

We built a liquid propane line from Charleston, West Virginia, to the Kentucky State line; a gasoline pipeline from Toledo to Detroit; and one from Philadelphia to Reading, Pennsylvania.

We also were connected with the construction of the recently built Plantation System from Baton Rouge to Atlanta and to Greensboro, in which we made general layouts, locations, purchased the rights-of-way, and generally supervised the construction work.

Now that generally summarizes the scattered work we have done around the country.

Now in connection with the Monroe gas field development, the first work we did was to study the Monroe gas field in 1923, which I myself did, which resulted in the construction of the Sterlington Power Station, which is a 100,000 kilowatt station, and formed the initial knowledge, or provided the initial knowledge of the Monroe gas field had in our office, as a result of which the Interstate line was conceived.

I will leave our work on the Interstate line until the last and list the other lines we built first. We built a line from Monroe to Eldorado, Arkansas; we also constructed the Monroe to Memphis, and Jackson, Tennessee, pipeline system, in that case furnishing labor and material installed on a unit price basis.

We also, as contractors, laid the Monroe to St. Louis pipeline.

Then as engineers we have been actively connected with the development and construction of the Southern Natural Gas System from Monroe to Atlanta, which started with preliminary reconnaisance and has continued to date, including design and supervision of a great deal of the system which includes the loop lines installed recently, compressor station extensions and the recent extensions to the Logansport field in Western Louisiana and Eastern Texas.

Q. That is an extension of their pipeline system for the purpose of acquiring new supplies of gas in Western Louisiana and Eastern Texas to supplement that which they have been buying from the Monroe Field?

A. That is correct.

We also promoted, developed, operated and finally liquidated, a joint compressor station facility in the Richland gas field.

That so far covers the lines connected with the Monroe gas field which we built from the beginning, except Interstate's system.

Now the line from the Monroe gas field to Baton Rouge, owned by Interstate Natural Gas Company, and from Baton Rouge to New Orleans, owned by Southern Gas & Fuel as it was known at the time of the construction, was built by us, and I think the record of this case gives rather a complete record of what my firm itself did in connection with the work, namely, the original conception of the project, the acquisition of the reserves; the negotiation of contracts, the design and construction of the system, and its operation for several years.

Now that applies not only to Interstate's system but to the Southern Gas & Fuel system.

Now my own participation in Interstate's development consisted in checking the general designs of the original project as first built, the designing of all compressor stations, both the initial stations and the extensions later built; the layout, design and supervision of construction of all the loops except those that have been built since we terminated our management in 1935.

During the period of operation I was the officer and director of my firm to whom was assigned the general responsibility for keeping in touch with the operation of the property, in which capacity I participated actively in the preparation of important contracts, and I

also worked out, with the help of the operating staff, a solution of the corrosion problem which became quite severe a few years after the system was built.

Now these natural gas and other pipeline properties which were so constructed and developed by our firm cost more than $150,000,000, and we operated for a number of years a portion of those properties the aggregate cost of which was more than $60,000,000.

Q. Mr. Rhodes, you mentioned the question of corrosion on Interstate Natural Gas Company's line, and certain work which you did. Will you give us the experience you had with that subject and what experiments were made and what remedies were utilized in what I understand is called cathodic protection?

A. Well, about four years after Interstate's main line was constructed, it became apparent that there was a really serious corrosion problem. The line had been coated with hot bituminous enamel coating and we had thought that we had been rather successful in the protection of the line, but quite suddenly in 1929 or 1930 we began to find that there was serious corrosion. In fact a stretch of about 3000 feet of line developed leaks to such an extent that we had to lift it from the ground and recondition it, and instead of putting it back in the ground we put it on a trestle. That is located about six miles south of the Tensas River, or about 78 miles south of the Desiard Station.

As a result of that experience the operating staff made a careful study of the line and found serious corrosion in rather widespread locations, which resulted in considerable concern on the part of the management of the property as to the problem that we had ahead of us.

As a result of that the worst section of the whole system, namely five miles south of the Tensas River, was looped, and that five mile section was set aside for a large-sized experimental laboratory in the prevention

of further corrosion. Many tests were made, and a preliminary installation of cathodic protection was made as a result of those tests, which gave very favorable results; in fact it clearly demonstrated that we could substantially eliminate any further progress of corrosion. As a result of that experience, and also of some research work which was carried on in my office, we laid out the system of cathodic protection as now installed, and working with the operating forces, supervised its installation. More than 80 miles of pipe on this system are now protected with cathodic protection.

Q. In connection with doing that work, was it necessary for you to make a study of corrosion, what causes it, and its phenomena that are evidenced by it?

A. Yes. In connection with our study of this five mile test section we made an active study of the causes and the prevention of corrosion, and since that time that study has progressed in other sections of the country, so that in quite a number of states extending from the Gulf to Canada, and including Canada, and from the Appalachian Mountains to the Rocky Mountains, we have studied corrosion and have installed cathodic protection sytems to prevent its further development. This work has covered all sizes of pipe from the smallest pipe to 24 inch pipe without any coating on it.

Q. Have you participated with the Bureau of Standards in any activity with respect to corrosion?

A. Yes, we have. Our cooperation with the Bureau of Standards started some years ago at about the time we were studying cathodic protection for Interstate. We began participating in corrosion conferences that Mr. Logan, head of the Soil Conservation Division of the Bureau of Standards arranged for about every two years. We participated in those by submitting papers descriptive of the work we were doing, and in addition to that we, or I personally, worked with Mr. Logan in connec-

tion with the scope and methods to be used in his own research work in corrosion, and in the mathematical considerations that would assist in analyzing corrosion.

Q. When you speak of cathodic protection what is that, if you can tell it briefly?

A. Well, I have described cathodic protection of pipe lines as the electric drainage of pipelines. Most underground corrosion is associated with circulating currents in the ground that are caused by galvanic action or the differences in the character of the soil and the character of the surface of the pipe. Now wherever that electric current leaves the pipe to flow into the ground, it eats the iron and causes corrosion which, if not checked, finally eats its way through the pipe, causing a leak.

Now by the application of electric circuits, which is not simple if your pipeline is bare or the coating is old, we arrange whereby electric current always flows from the soil into the pipe, and by eliminating the outflow of the current we prevent the further corrosion of the pipe, or substantially prevent it.

Q. Well, what is the importance or the significance of corrosion with respect to pipe?

A. Corrosion of pipe is the principal cause of its retirement and renewal, in fact it is the preponderant cause. If corrosion is severe, as in certain parts of Interstate's system, renewals of pipe or reconditioning of pipe would be expected at relatively short intervals. For instance, it only took three or four years to force the lifting of the half mile of line which I first described. But by applying cathodic protection to those badly corroded sections, we can make the pipe last for a long period of years in spite of the bad soil conditions.

Q. Is there any direct relationship between corrosion and the effects of corrosion, and the condition in which pipe is at any particular time?

A. Well, as the result of the studies of this property here and of thousands of miles of pipeline systems all

over the country, and of the work with the Bureau of Standards, we have now found a way whereby we can examine pipes and determine the proportionate extent to which corrosion has progressed, and we are able to measure that corrosion with satisfactory accuracy

Q. Mr. Rhodes, have you and your firm had experience in determining the condition of pipe in natural gas systems, and also of other properties, that is such as compressor station equipment, general property, field systems, and so forth?

A. Yes. For many years we have been doing that work and particularly in the last seven years I myself have been devoting close attention to it. It has covered a considerable part of the country, or at least that part which is served by natural gas.

Q. With respect to a natural gas system such as that of the Interstate Natural Gas Company, is the pipe by far the greater part of the capital investment in fixed assets?

A. Yes, indeed, the pipeline system is really by far the major part of the company's investment.

Q. Well now, did you at our request make, and have made by your assistants a study and examination of the pipeline system of Interstate, and also the other property of Interstate, for the purpose of determining to what extent deterioration in its condition had taken place as of the time of your examination?

A. I did.

Q. Did you write a report to Mr. Lerch, the President of the company, outlining your findings?

A. I did.

Q. Before we go to that, can you just give us briefly who it was that assisted you, and in general your approach to make the inspection, without in any way duplicating what is set forth in your written statement?

A. The inspection of the pipeline system was a joint inspection between representatives of the Commission and of Ford, Bacon & Davis—

Q. (Interposing.) When you say "Commission" you refer to the Federal Power Commission?

A. I do. And the arrangements and the direction in detail of carrying that out were by Mr. William T. Smith on the part of Ford, Bacon & Davis, and Mr. Paul White, on the part of the Federal Power Commission The inspection of the other property, however, was not a joint inspection but was made solely by our own representatives.

Q. Well, did Mr. Smith and the other representatives who made this inspection do so pursuant to your instructions?

A. Yes, this work was carried out in accordance with instructions which I gave to Mr. Smith, and which I saw to it were carried out, by a visit to the field.

Q. Did they make detailed reports on the observations which they made and the results which they found?

A. They did.

Q. Have you recently gone over the property above ground of Interstate, just before this hearing, that is the compressor station equipment principally, and the buildings?

A. Yes. Before finally submitting my report to Mr. Lerch I personally made an inspection of the compressor station properties, both buildings and equipment, for the purpose of spot-checking the work of my men.

Mr. Dougherty:

I will ask the reporter to mark these two documents as Exhibits 46 and 47, respectively, for identification.

Trial Examiner:

They may be so marked.

(The documents referred to were marked for identification as Exhibits 46 and 47 respectively.)

By Mr. Dougherty:

Q. Mr. Rhodes, this document which has been marked for identification as Exhibit 46 appears to be a copy of a letter on the letterhead of Ford, Bacon & Davis, Inc., and is addressed to Mr. Frank H. Lerch, President, Interstate Natural Gas Company, and bears your facsimile signature, and is dated June 10, 1942. Is that the report which you made to Mr. Lerch with respect to the inspection and condition of this property?

A. It is.

Q. I am handing you also a document which has been marked for identification as Exhibit No. 47, and which is entitled "Memorandum—Interstate Natural Gas Company—Explanation of Methods Used in Determining Progress of Corrosion of Pipe Lines Towards Complete Deterioration". This is dated June 10, 1942. Did you prepare that memorandum?

A. I did.

Q. And to what part of your inspection and examination of the property does that memorandum, namely Exhibit 47, specifically relate?

A. It relates to the pipelines, both transmission and field.

Q. That is, to that portion of your letter report, Exhibit 46, which is the second item commencing on page 2, which is headed, "Pipe Lines and Appurtenant Equipment"?

A. That is right.

Q. And do you in that memorandum in detail describe the methods utilized in measuring and interpreting the results which were found in this inspection?

A. I do.

Mr. Dougherty:

I desire at this time, if the Examiner please, to offer in evidence Exhibits 46 and 47.

That is all the direct examination I have of Mr. Rhodes.

Mr. March:

We ask that the admission of these exhibits be held up pending the cross examination of the witness. We would like to have the working papers of Mr. Rhodes and examine those working papers as soon as possible. This exhibit is a little different from the others which have been presented here this afternoon.

Mr. Dougherty:

If I might make the suggestion or request, I think it would be convenient to Mr. Rhodes if his cross examination could go forward ahead of the cross examination of the other witnesses. He wishes to get away to work on which he is engaged and his working papers are available immediately to Mr. March and his associates as soon as we adjourn today. I don't know whether this evening will give him sufficient time to get prepared, but if that would be possible it would be a great convenience to us to get rid of him first.

Mr. March:

We will be glad to accommodate you in that regard, Mr. Dougherty. We will do the best we can, Mr. Examiner.

Trial Examiner:

Ruling will be reserved on Exhibits 46 and 47.

Mr. Dougherty:

I think that, to the best of my recollection and belief, is all of the specific evidence that we have except such

as will follow the accounting and engineering exhibits of the Commission in the manner which I outlined this morning.

Mr. March:

Mr. Examiner, in view of the fact that we must get rid of Mr. Rhodes first here, I would suggest, Commission counsel would suggest, that we recess until morning in order to give us an opportunity to look at Mr. Rhodes' working papers immediately. I had intended to take up the cross examination of Mr. Lerch first and then follow in order.

Trial Examiner:

Do you have any idea how long it will take to complete Mr. Lerch's cross examination?

Mr. March:

It may take a half a day. Now if Mr. Rhodes wants to get out of town tomorrow and we have to cross examine him immediately on this, we have got to look at his working papers, that is the only thing about that. It is now 4:25 and that would give us an hour extra here to examine his working papers this evening. However, if the Examiner so desires, we will proceed with the cross examination of the dispatcher.

Trial Examiner:

I think that would be a good idea if you are prepared to cross examine one of these other witnesses now.

Mr. March:

We will proceed as far as we can with Mr. Blanks. I haven't had an opportunity to examine fully his exhibits here as yet, but I think the cross examination will be of a general nature. We may want to call him back, however.

Whereupon, EDEL F. BLANKS, recalled as a witness, having been previously sworn, resumed the stand and testified further as follows:

Cross Examination.

By Mr. March

Q. With reference to this Exhibit No. 42 of yours here, you stated that Mr. Cooper helped you write this exhibit?

A. That is true.

Q. Which parts did he write and which parts did you write?

A. We composed that exhibit together. As I stated in my testimony, he did the writing and I furnished the facts. The general outline of it was composed by Mr. Cooper.

Q. Where is his outline, is it available?

A. There it is right there, that is just the general text of the thing.

Q. Now in the outline that he gave you, did he instruct you to write, in this statement here, all of these references to gathering lines? I think gathering lines and gathering systems is used 25 or 30 times all through this. Who suggested that?

A. No one, I put it in there myself.

Q. Is Mr. Cooper an attorney or an engineer?

A. He is an attorney and engineer, I understand.

Q. There is a great deal of matter contained in this exhibit in regard to the early history of the Company; were you familiar firsthand with the acquisition of these leases and the initial operations of this Company?

A. I was not familiar at firsthand with the acquisition of them at the time. Since that time I have had access to the records and know that the acquisition was made.

Q. In other words, your statements here in regard to that are merely a compilation of facts from certain records that you have examined?

A. That is it, exactly.

Mr. March:

I would like to request here the original instructions of Mr. Cooper in regard to this exhibit. I would like to do it because I believe it is important to show here in the record as near as possible just what portion of this exhibit Mr. Cooper is responsible for, and if he is responsible for part of it then he should be presented here as a witness and tendered for cross examination.

The Witness:

Well, the thing was written 3 or 4 times before I finally got it into the form that I wanted it, and all of the facts; after rewriting it I would find that there were corrections to be made, and that is the final draft.

By Mr. March:

Q. Did Mr. Cooper make the original draft of this?

A: Yes.

Q. He did?

A. That is right.

Q. It was Mr. Cooper, then, that put all these references in about gathering lines and gathering facilities all through this exhibit?

A. No, not necessarily; between us.

Q. What did he have to do with labeling all these lines in the field, gathering lines and gathering systems and the use of that term approximately 25 or 30 times in this exhibit?

A. That is a term that we have always used in referring to those lines.

Q. Well, have you used that in referring to every line in the field as a gathering line?

A. Yes.

Q. You have always done that?

A. Yes.

Q. Has Mr. Lerch always done that, as President of the Company?

A. Yes, or field lines. It is called a field line or gathering line.

Q. By the way, what is a gathering line?

A. It is a line that is projected into a section of the field to gather gas from numerous sources of supply.

Q. Is it a small line which runs into a larger line?

A. Not necessarily, no.

Q. Would you say a 16-inch high pressure line in a field was a gathering line?

A. Yes.

Q. Just what is your criterion, now, for the term "gathering"? Does a compressor station have anything to do with it? Do the pressures in the line have anything to do with it? Does the fact that the line happens to be in a field, a gas field, have anything to do with it? Just what is your criterion, how do you tell when you have a gathering line or some other kind of a line?

A. Well, I would say that if you had a source of supply to be met, or a central point at which you wanted to gather the gas for delivery into a pipe line, I would say that the lines projected from this point to any place would be gathering lines, because the object of them is to gather gas and bring it to certain points.

Q. As I understand it, this big transmission line coming down to New Orleans has smaller lines feeding into it at two places. That wouldn't make this transmission line in any way a gathering line, would it?

A. There isn't any gas being fed into that large line. What do you have reference to? I don't know of any point—

Q. (Interposing.) I have reference to the two instances where the gas is fed into the line, fed into the United line south of Baton Rouge. I am trying to get in the record just exactly what you mean by "gathering".

A. Repeat your question on that, please?

Q. My question is this: As I understand it, this line coming down from the field to New Orleans has two lines which feed into it?

A. Yes, that is right.

Q. United's portion of the line?

A. There are three.

Q. There are three lines?

A. Yes.

Q. Would you say that that main line was a gathering line in so far as the gas feeds into the main line, that those smaller lines were gathering lines which feed into the main line?

A. I would say that the small lines were gathering lines feeding into the main line, yes.

Q. You would?

A. Yes.

Q. Well, what if the gas was delivered before it ever came into the smaller lines, I mean was gathered? In other words, what if it was gathered to a central point before it was ever put into this smaller line which joins your main transmission line, what kind of lines would those be?

A. Gathering lines.

Q. Gathering lines?

A. Yes.

Q. What does a compressor station have to do with the distinction between gathering and transmission?

A. What does a compressor station—

Q. (Interposing.) What does a compressor station have to do with the question as to whether you have gathering or whether you have transmission? You have

testified here in detail, in considerable detail, as to just how gas is delivered at the intake of certain compressor stations. Now what has that got to do with whether a system is gathering or whether it is transmission?

A. Well, the gas has to be gathered and brought in to a central location to be compressed. That isn't necessarily true. You could have a little booster plant out on one of your gathering lines.

Q. Well, does the compressor station have anything to do with the determination of whether you have a gathering line or a transmission line?

A. No.

Q. Not anything?

A. No.

Q. Now let's take an example here. Let's take your deliveries to—I am looking at your Exhibit 43, and also at your Exhibit No. 5, and also your Exhibit No. 6. I have those exhibits before me now. I direct your attention to Exhibit No. 43, the line designated as F-13 and the delivery point where the United Carbon Company delivers gas to the Interstate Natural Gas Company.

A. Yes.

Q. Do you have that position there?

A. Yes.

Q. All right, now. In what form is the gas delivered by United Carbon Company to the Interstate Natural Gas Company there, is it delivered from many different individual lines or is it all gathered before it is delivered?

A. It comes from several different lines. However, it is off of one particular line that the delivery is made, but ultimately the source was several lines.

Q. As a matter of fact, looking over here at your Exhibit No. 5, that gas came from wells widely scattered, wells owned by the United Carbon Company, did it not?

A. That is correct.

Q. And the gas was gathered from these various wells through small pipes, 4 and 6 inch pipe, or maybe smaller than that, is that right?

A. That is correct.

Q. And when it was delivered to Interstate Natural Gas Company there at that point, it had already been gathered, hadn't it?

A. It had been gathered for the purpose of the United Carbon Company.

Q. As a matter of fact, some of it had even been compressed?

A. No.

Q. None of it had been compressed here?

A. No.

Q. If you presented a true picture, I mean a complete picture of the field, and all the lines in the field, you would have a spider web or lines running out in many directions from that delivery point to Interstate Natural Gas Company there at F-13?

A. No, not necessarily at that point. The line through which they deliver that gas is one of their main gathering lines projected down into the Southern part of the field, and running over into Union Parish. Our line, F-13, was originally laid to gather the gas that we purchased from the United Carbon Company and several wells belonging to the Palmer Corporation, from whom we purchased gas.

Q. Well, as a matter of fact, the line was originally laid to transport the gas which had been gathered by United Carbon Company to the Desiard Compressor Station, isn't that right?

A. It was laid to permit the gas to come into Desiard Compressor Station; whether you want to say "transport" it, I don't know.

Q. As a matter of fact, it is all a play on words so far as the movement of this gas is concerned?

A. That is correct.

Q. As a matter of fact, the gas moves right from the well right on in here to New Orleans, doesn't it?

A. No, not necessarily.

Q. Well, gas moves from the well and moves right on to its destination, doesn't it?

A. Through a series of pipe lines, yes.

Q. Without interruption?

A. Well, it depends on what you call an interruption.

Q. About how many wells—

A. (Interposing.) What do you mean by being interrupted?

Q. Well, I don't know what I mean by being interrupted. I mean just exactly what the dictionary interpretation of that word would seem to indicate, that there was no stoppage of the flow of gas.

A. That is correct.

Q. That there was no obstacle put in the way of the flow of gas.

A. That is correct.

Q. That it moves right straight from the well to its destination.

A. That is right.

Q. Comingled with other gas.

A. That is right.

Q. Now about how many wells would you say United Carbon Company has from which United Carbon Company gathers its gas to deliver to Interstate Natural Gas?

A. I don't know the exact number of wells.

Q. Approximately how many?

A. I would say that it took at least 20 of their wells to produce the gas that is delivered to us.

Q. Is the gas delivered to you at the very end of their gathering system, or is it gathered and then transported some distance and delivered to you?

A. It is about roughly, I would say, the center of this particular line that is projected on up into Union Parish, it is mid-way of it.

Q. In other words, they have wells up in Union Parish?

A. That is true.

Q. And they have a line running up into Union Parish from this delivery point at which they deliver gas to Interstate?

A. That is correct.

Q. And at the end of this line up in Union Parish, they have many lines radiating from it?

A. That is correct.

Q. And the gas is gathered there and transported down to the delivery point to Interstate Natural, is it not?

A. Well, from my general knowledge of that system of theirs, that gas could, under certain circumstances, flow either way. They feed off of that same system the Memphis Natural Gas Company and the Mississippi River Fuel, and some of the gas out of that system finds its way into the Southern Natural, also.

Q. In other words, after they have gathered the gas they put it into this line, which is a gathering point, the point of delivery, and they may deliver it to four or five different companies from the point at which they have gathered the gas?

A. Yes, which is all over the field along this particular line.

Q. The whole point I am trying to get at, frankly, is that the gas has been gathered before it is ever delivered to these companies, gathered by United Carbon Company from many sources?

A. Yes.

Q. And delivered to a centrally located point?

A. No, I wouldn't say a centrally located point, because they have take-offs at several points along their system.

Q. And one of the take-offs is here at point F-13?

A. Yes.

Q. To Interstate?

A. That is correct.

Q. Let's go up to another purchase of gas by Interstate Natural Gas Company. I direct your attention to line F-12, on Exhibit No. 43, in regard to the Southern Carbon Company. Does that indicate the delivery of gas by Southern Carbon Company to Interstate Natural Gas Company at point of delivery?

A. Line F-12?

Q. Yes.

A. Yes, the gas that they deliver through that station proceeds on in, as you will notice opposite F-12, into line F-2, a line leading on into Desiard Compressor Station.

Q. Here is what I want to ask you. Do they gather the gas and deliver it, does Southern Carbon gather the gas and deliver it to Interstate Natural Gas Company at a central point here?

A. Yes, they make part of their deliveries there.

Q. In other words, the gas is delivered here in a somewhat similar way to the way it is delivered to Interstate by United Carbon Company?

A. That is correct.

Q. However, there is a difference in there, in that some of that gas is compressed by Southern Carbon Company before it is delivered to Interstate Natural?

A. That is correct.

Q. And of course that wouldn't have anything to do with the determination of whether it was gathering or whether it was transmission of gas?

A. Not necessarily, no.

Q. Would it have anything to do with it? Here is a compressor station, here is gas that has been gathered by Southern Carbon from many sources. It is delivered at a central point here to Interstate Natural Gas Company, but before it is delivered it is compressed.

A. A portion of it is. I forget exactly how much now, but in the neighborhood of 14 or 15 million, I believe. They are delivering at this time around 20 million cubic feet down there. The balance of it is coming out of their system that comes by Fairbanks and goes on up to the Memphis Station to which they deliver gas. That gas that is compressed is some low pressure gas that would not feed under contract conditions unless they compressed it.

Q. Now how long is the main field line of the Southern Carbon Company which brings this gas up to the delivery point here to the Interstate Natural Gas Company?

A. Well, it is part of their gathering system. Are you referring to F-2 there?

A. I am referring to F-12.

Q. How long is that line?

Q. I want to know—I am referring to the delivery point here, to Line F-12, of the Interstate Natural Gas Company. I want to know this, about how long is the Southern Carbon's line, main field line, bringing the gas up to the delivery point here to Interstate Natural Gas Company?

A. They have two or three lines converging at that point. One, as I told you, brings the gas in from that very low pressure area over around Swartz, and then the balance of the gas that feeds in and is comingled with that gas before it is delivered to us, comes from almost directly south of Fairbanks. They have some wells down in there which are capable of feeding under contract conditions, and as I understand whatever gas they didn't use there, it goes on up to the Memphis

station. But this is just a point in their gathering system.

Q. Which gathering system ends at the point of delivery to the Interstate Natural Gas Company, because they have gathered the gas there, haven't they? Where is the end of the Southern Carbon Company's gathering system is what I want to know?

A. Well, they have—

Q. (Interposing.) In this particular case.

A. Well, part of their gathering system ends right there at that compressor station, and I suppose you would say that the line that comes in from this low pressure area, one terminates there, but the balance of the gas delivered there is delivered out of a line, I believe, that terminates pretty close to the Memphis station.

Q. In other words, after Southern Carbon Company gathers its gas and gets it in one basket, so to speak, then it shoots some of that gas to Memphis Natural and some to Interstate?

A. They don't deliver to Mississippi and Southern Natural out of the same system that they deliver to Intersate and Memphis.

Q. But you say the gas was gathered before it was delivered by Southern Carbon to Interstate Natural?

A. Yes, I would say it is gathered.

Q. Since I am here at this delivery point of Southern Carbon to Interstate Natural, will you trace the movement of that gas on through the Desiard Compressor Station up to its destination and delivery to customers of the Interstate Natural?

A. That gas that is delivered at Fairbanks is delivered directly through Line F-2 into the Desiard Compressor Station for compression into our main pipe line system, 22-inch, referred to, I believe, throughout as T-1.

Q. Now how big is that F-2 line?

A. It is a 12-inch line.

Q. How big is the main gathering line of Southern Carbon Company at the point of delivery to Interstate Natural?

A. At the point of delivery to Interstate?

Q. That is right.

A. The point of delivery, of course, is through the meters of Interstate, or the master meters at that point, and their measurement is accepted as the total amount of gas delivered at that point. Now I think that that line in behind that meter setting is 12-inch line.

Q. All right. Now we come up here to the compressor station, and the gas is compressed there. Where does it go from there?

A. Down to T-1, the 22-inch main line.

Q. Is that a transmission line?

A. We call it a transmission line.

Q. You just call it a transmission line just for convenience, is that correct?

A. No.

Q. As a matter of fact, the transmission line there, according to your label, begins at the compressor station?

A. That is correct.

Q. Well, why wouldn't it begin before it got to the compressor station?

A. Because we had to gather that gas into the compressors into Desiard in order to be able to compress it all and discharge it into our transmission line.

Q. As a matter of fact, before it ever got into the main field lines, it had been gathered, hadn't it?

A. Yes, it had by those other companies.

Q. Well now, since we are down in this territory, let's take this line F-4. That source of supply back of that line, feeding into that line, those are all Company wells, aren't they?

A. No, not all of them. You will notice down here at the very bottom of the page there are two wells designated Bond 1 and 2. We purchase gas from those two wells.

Q. Now trace your gas through F-4 to its ultimate destination?

A. Well, the gas from all these wells—I won't designate them attached in there, inasmuch as that is a separate gathering system—finds its way through this F-4, across the River—that odd line in there is the River, do you see that?

Q. Yes, I see that.

A. It follows on through and passes into Fairbanks. At Fairbanks it enters Line F-5. The gas then crosses into a line which is not shown on here—

Q. (Interposing.) Yes, you haven't got that line shown on Exhibit No. 48. In other words, it doesn't even go through the compressor station, does it?

A. No, it does not.

Q. It goes around the compressor station?

A. Yes.

Q. On what line, F-45?

A. F-45.

Q. A 12-inch line?

A. A 12-inch line. It goes into F-1, or before it goes into F-45 it can be diverted into that F-2 for compression. Those lines can be equalized and the gas go into the compressor station. But I am speaking of at the present time how the gas is flowing.

Q. All right; F-1 is a 16-inch line?

A. That is correct.

Q. Is that a high pressure line?

A. No, a medium pressure line, running from 135 to 150 pounds.

Q. Is that a transmission line?

A. No.

Q. Why isn't it a transmission line?

A. Well, we have always called it a gathering line. It was projected in order to gather gas from the Southern Carbon up at Perryville, the United Carbon Company which you will see there at Cargas, a number of wells that used to belong to the Palmer Corporation from which we purchase gas, then the Southern Carbon down at Guthrie, and the gas can flow either way. At the present time it is flowing up that way, but it can flow either way.

Q. You just call it—

A. (Interposing.) Depending on the amount of gas that is either being taken off of the line or being put into it.

Q. You just call it a gathering line because it has been the custom of the Company to call it a gathering line?

A. It was projected as a gathering line to gather this gas from the purchase points and production.

Q. You could very well call it a transmission line, could you not, since it ties in these two important points?

A. I suppose you could, but we have always called it a gathering line, that was just the terminology that was used.

Q. Now I just can't pronounce this French here, but I have a good mind to call this the Fowler Station.

A. All right.

Q. I am going to call it from now on the Fowler Station.

Does any gas go from the Fowler compressor station on up through F-1 to Perryville?

A. No, it does not.

Q. None of that gas feeding into F-1 goes through the compressor station?

A. Repeat that, please?

Q. None of the gas feeding into F-1 goes through the compressor station?

A. No.

Q. Does the size of a line have anything to do with whether it is a transmission line or a gathering line?

A. No.

Trial Examiner:

Where does that gas go that you say is gathered on Line F-1, what is the direction of the movement and where does it go?

The Witness:

At the present time the movement is North towards Perryville.

Trial Examiner:

Well, it doesn't just stop up there somewhere, does it? Where does it go?

The Witness:

It finds its way into the Mississippi and Southern Natural through this line designated F-33A. There is a flow in two directions in that line; we receive gas—

By Mr. March:

Q. (Interposing.) On this F-1 line is there any gas fed into that line?

A. Yes.

Q. Between the Fowler station and Perryville?

A. Not at the present time, no.

Q. Well, how in the world could that be a gathering line, then, if there is no gas feeding into it, according to your definition, from various points along the line?

A. Excuse me, I misunderstood your question. I want to call your attention to the fact that up at the

Northern end of the line, marked Southern Carbon, that we do receive gas there which flows into Line F-1.

Q. Yes, but that flows from the opposite direction, doesn't it?

A. It flows South.

Q. In other words, that originates and flows South into the line?

A. That is correct.

Q. At the end of the line?

A. That is correct, it flows South.

Q. All right, then. We have here a 16-inch line, an express train, so to speak, moving from the Fowler Compressor Station up to Perryville. Now isn't that a transmission line?

A. I suppose that is a legal point. I call it a gathering line. That is what I think it is, and whenever I have mentioned that line I think of it as a gathering line.

Q. Just because it happens to be in the field, is that the reason you think it is a gathering line?

A. No.

Q. Or is it just because the Company has seen fit to label it a field line?

A. No, that was the primary purpose of the line when it was built. It was a gathering line.

Trial Examiner:

Well, it doesn't gather any gas from the Fowler Station and the point at which F-33A goes off of it?

The Witness:

It does at times. At the present time it does not. There are points of delivery from the Southern Carbon at Guthrie, or there can be deliveries of gas from the United Carbon Company at Cargas.

Trial Examiner:

There can be, but you say there is not?

The Witness:

At the present time since February, I believe.

By Mr. March:

Q. Now isn't this just about—assuming now, say, that some time, every once in a while, gas feeds into F-1 along the route, isn't this just about the same situation you have, for all practical purposes, the situation we discussed a few minutes ago where the main line to New Orleans, certain gas fed into the main line along the way?

A. I hadn't thought of it in that light at all.

Q. Well, as a matter of fact isn't it just about the same situation? You have a line running down here to New Orleans which you call a transmission line, and you have feeding into that line a couple of lines. Just because two lines feed into that line doesn't make it a gathering line, does it?

A. Well, I would say this, that even if the Southern Natural and Mississippi didn't take any gas from us, we would still have to use that line to gather that gas from the Southern Carbon.

Q. You would have to use that line to transport the gas from one point to another point, wouldn't you, from the Fowler Compressor Station up to Perryville where you deliver it to these various utility customers?

A. Well, it is according to what word you want to use. I would say that we would still be gathering the gas.

Q. You wouldn't be gathering it along that route, would you? You are not taking any gas in along the route. Therefore, you are not increasing the amount of gas.

A. We might at any time.

Q. You are not now, are you?

A. No.

Q. When was the last time you did?

A. In February.

Q. In February?

A. That is right.

Q. That is a sort of a stand-by service along that line, then, isn't it, or what is the occasion for not feeding any gas into that line since February, that line F-1?

A. The contracts with the United Carbon and Southern Carbon regarding the total amount of gas which we were to purchase from them have been reduced, and they chose to make their deliveries of this entire quantity of gas from the United Carbon out on F-13 rather than at Cargas.

Q. All right, let's take this F-44 running from the Fowler Compressor Station up to the point of delivery to the Memphis Natural—is that correct?

A. Yes.

Q. Now is that gas compresed at the Fowler Compressor Station before it goes into F-44?

A. It is not.

Q. What is the size of F-44?

A. It is a 12-inch line.

Q. A 12-inch line?

A. That is right.

Q. How is that gas routed through the compressor station if it is not compressed?

A. It is not routed through the compressor station.

Q. It is not very clear here on your map, Exhibit No. 43, it is not clear at all as to how that gas gets through the compressor station.

Mr. Dougherty:

If you will look at that exhibit that has the Desiard lay-out, you will get a clear picture of it.

By Mr. March:

Q. It goes around the compressor station, is that correct?

A. That is correct.

Q. What is the number of the line on the other side that feeds into F-44?

A. The line that feeds into F-44?

Q. That is right.

A. That gas can come out of Lines F-51 or F-3; or the Hope Producing Company, under pressure, certain pressure conditions, could deliver into it. But at the present time that gas is coming out of F-51, a 10-inch line, and F-3, a 12-inch line.

Q. All right. I don't see any gas fed into F-44. Is there any fed into the F-44 line between the Fowler Compressor Station and the point of delivery to Memphis Natural?

A. No, there isn't.

Q. Then that line doesn't serve as a gathering line, does it?

A. No, there isn't any gas that goes direct out of F-51. However, gas can be fed out of that system—

Q. (Interposing.) At any rate, F-44 from the Fowler Compressor Station to the Memphis Natural is not a gathering line, is it?

A. I have always considered it a gathering line.

Q. There is nothing gathered there, is there, it has already been gathered; it transports gas that has already been gathered, doesn't it?

A. I guess you could consider it that way.

Q. Don't you consider it that way? Doesn't it transport gas which has already been gathered?

A. Well, I would say that it is a continuation of the flow of the gas from these gathering lines.

Q. Well, as a matter of fact, as I said a while ago, the gas flows clear from the bowels of the earth right on down to the ultimate destination, doesn't it?

A. Yes, it flows uninterrupted there.

Q. Then isn't the line, F-44, from the Fowler Compressor Station up to the point of delivery to Memphis Natural a transmission line? Couldn't you just as well call it a transmission line as a gathering line, or more so?

A. I suppose you could.

Q. Well, do you? As a matter of fact you are not concerned with these problems every day, are you?

A. No.

Q. You are not concerned with the fine labeling of these lines "transmission" lines and "gathering" lines, are you?

A. No, I am not concerned with the labeling of them at all.

Q. You have just taken the labels which you found on the lines. As a matter of fact as a dispatcher you look at this whole Company as a unified system, don't you?

A. No.

Q. You don't?

A. No, I look at it as a field gathering system, then a main transmission system. The field takes in everything, including all our purchases and sales in the field, and our production, just one network of pipe lines.

Q. That is just a matter of convenience, isn't it, the demarkation there, the lines in the field and the lines out of the field?

A. I suppose that is it.

Q. As a matter of fact, as dispatcher you have got to know your demands for gas and you have got to know where your supply is coming from?

A. That is correct.

Q. And you even go so far as to order the increasing of the flow of gas from individual wells, and putting them into the line, and even go so far as to recommend the drilling of wells, don't you?

A. Yes.

Q. Now this F-51 line which you referred to, you say gas may come from F-51 over into F-44, or it may go through the Fowler Compressor Station?

A. Yes.

Q. All right. Say that F-51 gas feeds through the Fowler Compressor Station, it is compressed and shot into the line labeled Transmission Line T-1. For all practical purposes the transmission of the gas from Fowler Compressor Station over T-1 to the outskirts of the field is no different from the transmission of gas from the Fowler Compressor Station to Memphis Natural, is it?

A. Except there are quite a few more points at which gas is gathered.

Q. There is no gas gathered, we have already gone over that, there is no gas gathered on F-44.

A. That is correct.

Q. There is no gas gathered on T-1, is there?

A. On T-1?

Q. Yes.

A. No, there is not.

Q. Then it has already been gathered?

A. Yes.

Q. Well, from a scientific standpoint, it is just the same, isn't it? For all practical purposes there is no difference between the transmission of gas from the Fowler Station to the edge of the field and the transmission of gas from the Fowler Station through F-44 to the Memphis Natural delivery point, is there?

A. I suppose not, there.

Q. Now I will ask you another question here. We have discussed here the movement of gas into the Fowler Station and around the Fowler Station, from individual wells all the way through in one instance, through F-44 and all through there. Isn't the movement of gas

comparable to the flow of a stream? It originates, a lot of smaller streams feed into it, and as more streams feed into the main stream the main stream gets larger. Is that an analogous situation?

A. No, I don't know that you could describe it in that manner, you might.

Q. Well, you start with an individual well, don't you, a small line, a 6-inch line which feeds into a 12-inch line, which may have numerous 6-inch lines feeding into it?

A. Yes.

Q. Then that feeds into a 16-inch line, and it feeds into a 22-inch line, and it is identical with the flow of a stream, isn't it; the principle is the same, isn't that right?

A. Yes, that is correct.

Q. All right, let's go now to another line here, let's go to F-33. By the way, before I go to that, I want to ask you this. In all cases where companies deliver gas to the Interstate Natural Gas Company, they have gathered the gas before they deliver it to the Interstate, haven't they?

A. Repeat that, please?

(The question was read by the reporter.)

The Witness:

No, that is not true; there are certain instances, for instance—

By Mr. March:

Q. (Interposing.) There are only 3 other—go ahead.

A. (Continuing.) —like the Bond, Bond 1, and over in Union—

Q. (Interposing.) You name the exceptions.

A. And the U. S. A. Well over there, that is the Hope Producing Company, and the Howard Well, you see How. Sawyer there over near Rocky Branch?

Q. Yes, I see that.

A. There is one well in there that belongs to the United Carbon Company, in which we have an exchange —not exchange either, but that is considered part of their deliveries under their contract. We take that one well, and there is a well that we buy gas from, Stovall, right there next to it.

Q. I see Stephenson No. 1—

A. (Interposing.) Yes, Stephenson No. 1; Louisiana Gas Lands, that is another. I believe that is all.

Q. With those minor exceptions, my statement is correct, isn't it?

A. That is correct.

Q. What percentage would you say that those exceptions make of the total gas delivered to the Interstate Natural Gas Company, roughly?

A. It would be very small.

Q. Very small?

A. Yes.

Q. It would be around 1 percent?

Mr. Dougherty:

We have an exhibit here. I want it right, I don't want these guesses.

Exhibit 38, Mr. March, shows the purchases by volumes in the Monroe Field. If you take 1941, you can probably point out the ones that are both directly from the wells and those that come from Southern Carbon and United Carbon.

Mr. March:

Let's just refer to that in the record so that the record will show; what exhibit is that?

Mr. Dougherty:
No. 38.

By Mr. March:

Q. Let's go to F-33. I am looking now at F-33 at the delivery point to T-9.

A. Yes.

Q. At Perryville.

A. Yes.

Q. Now just go up that line back up towards its source of supply. I want you to tell me where the first gas feeds into that line, F-33?

A. It feeds into that line at a point in Union Parish, you see where it crosses the river just North of there?

Q. Yes, sir.

A. Near the tie-in of this well F-55.

Q. Is that a 16-inch line?

A. Yes, that is a 16-inch line.

Q. Now there is no gas, as I see it, moving from—feeding into the line from the point which you have indicated to its destination here at T-9, is there?

A. No, there isn't.

Q. That is not a gathering line, then, is it?

A. I have always considered it as such.

Q. Well, it couldn't be, because there is no gas feeding into it, is there? There is no gas gathered by the line, the gas has been gathered before it ever gets to the line.

A. That F-33 extends all the way—

Q. (Interposing.) I know, but we are talking about the point that I indicated, and you indicated. We will get to that later, where gas feeds into it. I am talking about the length of the line where no gas feeds into it, it is an express train. That is not a gathering line, is it?

A. I have assumed it to be all the time.

Q. Well, it is just an assumption, or is it your opinion as a responsible dispatcher?

A. Well, I would say it was a gathering line, because if it hadn't been laid to bring that gas down there, we could not have gotten it into that line which we purchased from the Mississippi River Fuel.

Q. Well, if you hadn't laid T-9, you couldn't have gotten the gas down to its destination either, could you?

A. We didn't lay T-9.

Q. Well, if T-9 wasn't there you couldn't transport the gas to the ultimate destination.

Now just a minute here. What is the difference, what is the magic involved here, that is what I am trying to get at. You have F-33, a 16-inch line feeding into T-9, a 16-inch line. No gas feeds into F-33 from the point which we have indicated, it continues right on through to Perryville and ties right into T-9. Now I want to know where gathering and where transmission begins and ends?

A. Well, I have just always assumed that it began there at T-9.

Q. Why; why did you assume that, just because there was a label there on it?

A. Well, that F-33 was there long before T-9 was, and we used to receive gas from those Fleming wells in through that F-33; also gas used to come through that F-30 on down in through this and made a loop system out of that F-1 into that Desiard Compressor Station.

Q. Those low pressure wells couldn't do that now, could they?

A. That is correct.

Q. Therefore, that is past history?

A. Yes.

Q. So, so far as we are concerned, there is no difference between F-33, from the point we have indicated, and T-9. They are 16-inch lines operating at the same pressure, aren't they?

A. That is correct.

Q. So they are identical, and any designation as to gathering or transmission would merely be a matter of convenience which would mean nothing from a technical standpoint, isn't that correct?

A. (No response.)

Q. An operating standpoint, if you prefer that.

A. From an operating standpoint, it means something to me, but from a technical standpoint I couldn't say.

Q. Now why does it mean something to you to have this magic, might I call it, line here as to where allegedly gathering ends and transmission begins, why does it mean anything to you as a dispatcher, in your business?

A. Well, it means a line through which we can receive this gas. It is not impossible for the gas to come out of that F-33 and come on down through F-1.

Q. Well, it doesn't do that, does it?

A. Not at the present time.

Q. Well, it hasn't in the past, has it?

A. Well, it has come out of F-33 into that line in the past.

Q. When did you do it the last time?

A. Quite a while.

Q. About 6 or 7 years ago?

A. Probably 6 years ago, I am not certain of that.

Q. Can you answer my question any more directly on that? I don't want to press you too closely on it.

A. As to the date?

Q. As to just why it means something to you from the standpoint of a dispatcher, as to whether F-33 is a transmission line from the point we indicated, or a gathering line?

A. No, it doesn't mean anything to me.

Q. As a matter of fact, as a dispatcher that is something you never consider; you consider the movement of gas, don't you?

A. Yes.

Q. You don't pay any attention to this imaginary line drawn here across a 16-inch line, one with a T-9 and the other with an F-33. So far as you are concerned, it is all the same, isn't it?

A. No, I don't think so.

Q. Well, they are the same sized lines, aren't they?

A. Yes.

Q. They have got the same pressure in them, haven't they?

A. Yes.

Q. The same amount of gas flows through them?

A. That is correct.

Q. Now I want you to show me anywhere, where the Company labels these lines gathering lines, on any of the exhibits which you have offered in evidence here. I see the field line, F-33, is labeled as a field line?

A. That is correct.

Q. They don't say they are gathering lines, do they?

A. No, they don't, we say they are lines that are laid in the field.

Q. That is right.

A. To gather the gas.

Q. Well, they are laid in the field just like T-9, is that in the field?

A. We don't consider it in the field.

Q. Well, is T-9 in the field?

A. Parts of it are.

Q. Well, would you say that the part that was in the field was a field line?

A. No, I wouldn't say it was a field line.

Q. You wouldn't say it was a gathering line either, would you?

A. No.

Q. In spite of the fact that it transports gas, which has been gathered in the field, from one point of the field to another?

A. No, I wouldn't say it was a gathering line.

Q. From a functional standpoint, then, there is no difference between F-33 and T-9 from the point we have indicated here on F-33 to a juncture with T-9? It is one continuous line?

A. It is a continuous line, yes.

Q. Do you know why they ever labeled T-9 as a transmission line to begin with?

A. No, I can't say.

Q. Do you know whether they have ever changed the labeled designation of F-33 or not, in the past? Do you know whether that was labeled a transmission line or not?

A. No, it has never been labeled a transmission line.

Q. By the Company, in so far as you know?

A. No.

Q. Do you know positively that it hasn't been labeled as transmission line, F-33?

A. Not to my knowledge, no.

Q. Well, you just don't know, is that right?

A. I believe I would know if it had been.

Q. Well now, let's move along up, go back up here on F-33 where the first well feeds into F-33. Is F-33 a continuous 16-inch line to its juncture point with F-103?

A. Yes.

Q. Well now, just because gas feeds into that line from various individual wells, does that change it from a transmission line to a gathering line, does that make it a gathering line from the point at which the first well feeds into the juncture of F-103?

A. No; that doesn't make it a transmission line.

Q. That doesn't make it either a gathering line or a transmission line, is that right?

A. Well, the purpose of it was to gather the gas from up in there.

Q. As a matter of fact, is there any gas gathered there? How much gas is there gathered along there from its juncture with F-103 to the point at which F-156 feeds into it?

A. Well, that will vary.

Q. Let's see how many wells are feeding into it, I mean how many lines, not wells?

A. Eight.

Q. Eight lines feeding into it?

A. Yes. You might say 9, including that F-108.

Q. But you consider that gas has been gathered when it enters into this main field line, if you prefer to call it that, the 16-inch line, F-33? For example, take a well here, take Well No. 70, there is a line running from Well No. 70 designated as F-171, and it ties into, feeds into F-33. Now hasn't that well's gas been gathered at the juncture point there with F-33?

A. I suppose it depends on how you look at it.

Q. It has been put in the same basket with the rest of the gas, hasn't it?

A. Yes, it is in the same system then.

Q. It is in the same pipe line with the rest of the gas, and the only change in the pipe line is that more gas comes into it down the line. Now hasn't the gas from Well No. 70 been gathered when it feeds into F-33?

A. To a certain extent, yes.

Q. To what further extent does that gas have to be gathered?

A. I would think—

Q. (Interposing.) That particular gas doesn't have to be gathered any more, does it?

A. No, it doesn't have to be gathered any more.

Q. It is already gathered and you don't have to go out and garner it again?

A. No.

Q. All right. Now this line F-108, what size line is that?

A. That is 6-inch.

Q. A 6-inch line?

A. Yes.

Q. How many wells feed into that line?

A. Well, that line—

Q. (Interposing.) I mean how many lines feed into that line?

A. Three.

Q. Well, when F-109 feeds its gas into F-108, from Wells Nos. 68 and 3, that particular gas has been gathered, hasn't it?

A. From F-109?

Q. Yes.

A. That gas flows into either that F-33 or F-108.

Q. Yes, whichever the case, the gas has been gathered when it feeds into F-33 or 108, whichever the case may be?

A. It is somewhat the same situation as F-171, which you have just mentioned.

Q. I am going to leave this for just a few minutes, and I want to ask you several general questions.

Trial Examiner:

Do I understand that will complete your cross examination of this witness, or not?

Mr. March:

I am not through with him yet.

Trial Examiner:

I mean these several general questions you are going to ask.

Mr. March:

It may be that other questions will occur to us when we have examined these exhibits more fully, Mr. Examiner. That may be possible. But I think I have completed his cross examination for the most part.

Trial Examiner:

All right, go ahead.

By Mr. March:

Q. Oh, yes, I want to ask you a question here to clear this up.

On Exhibit No. 5, just what did you have to do with the preparation of that exhibit?

A. I helped take some of the acreage off of the maps.

Q. Some of the acreage off of the maps?.

A. I mean off of the maps from which this was prepared.

Q. Who really prepared Exhibit No. 5?

A. Well, the biggest part of it was coloring after the first map was made, but this map was primarily made by P. McComb.

Q. Who is he?

A. He is our engineer.

Q. Is he here?

A. No, he isn't.

Q. So he prepared this map?

A. Under my supervision, that is right.

Q. Now I see a line running around the map, a dotted line. What is that, anyway, running around the edge of the acreage here, all around? I should say it is a fine dashed line.

A That is someone's projection of what they thought to be the outlying edges of the field, I suppose.

Q. You don't know whether it is the outlying edges of the field or not?

A. No, I can't say.

Q. Then that is meaningless in so far as this map is concerned?

A. Exactly.

Q. This map is solely for the purpose of showing this acreage?

A. That is correct.

Q. Could you tell me what percentage of the total area of the field each one of the companies own which are listed in the right-hand, lower right-hand corner of the exhibit?

A. I couldn't offhand, no, I couldn't tell you what percentage.

Q. Can you get those figures, Mr. Dougherty?

Mr. Dougherty:

I guess we can, yes.

By Mr. March:

Q. Then I want to ask you another general question here. About what percentage of the gas moving out of the Monroe Field do you dispatch, are you responsible for dispatching?

A. The entire responsibility of dispatching that I have would be only on that gas which is transmitted through our own main pipe line to Baton Rouge. Then the responsibility, as far as dispatching is concerned, lies in contacts with the producers delivering to the Mississippi and Southern Natural.

Q. But the way your set-up is—

A. (Interposing.) But the actual responsibility of the dispatching for the pipe line gas that goes out, I don't have anything to do with that after it is delivered to those pipe lines.

Q. But I want to know this: Of the gas moving out of the Monroe Field, about what percentage of that gas do you have the responsibility for dispatching?

A. Well, I would have to get some figures.

Q. Well, most of it you do have that responsibility for; you are the principal dispatcher in the field, aren't you?

A. For Interstate I am. The other companies have dispatchers also.

Q. But their responsibility begins where yours ends, doesn't it? You have to get the gas to them, don't you, make the allocations?

A. Yes.

Mr. Dougherty:

Mr. March is talking about the dispatching of gas up to the delivery to the Mississippi and Southern Natural, not the dispatching of it on their lines beyond those points.

The Witness:

Well, I don't have the responsibility of the dispatching of the gas up to the delivery point to the Mississippi or the Southern Natural.

By Mr. March:

Q. Just what do you have to do with that?

A. I believe in my previous testimony I said that we were the go-between, between the Southern Natural and Mississipi, and the producers which deliver gas to them, that is our responsibility.

Q. You are the contact man, you are the key man in the movement of all the gas that is coming out of the Monroe Field, aren't you?

A. No, I wouldn't say that, there are quite a few other pipe lines going out of that field.

Q. You have something to do with the movement of all the gas out of the Monroe Field with the exception of what companies' gas?

A. Quite a few.

Q. Well, what?

A. The Memphis line, the Jackson, Mississippi line—

Q. (Interposing.) You are talking about outside the field now, you have something to do with the movement of that gas to these particular companies, don't you?

A. No, not the actual movement of the gas. I only have the contacts and inform each producer of the amount of gas that they are going to be required to deliver to these companies, and notify them when the gas has properly been delivered.

Q. In other words, you control the quotas, you expedite the quotas and see that they are met, and you know what they are and you know the arrangements, and you have that responsibility in regard to the whole field, don't you?

A. Not the whole field.

Q. I want to know what companies you don't have anything to do with moving gas out of the Monroe Field, that is what I want to know. You are not even a go-between, you are not anything in regard to them, you have nothing to do with it?

A. There is the Memphis Natural and—

Q. (Interposing.) Well, now, you have something to do with the movement of part of the gas that Memphis Natural takes, don't you?

A. Yes, but not as a dispatcher.

Q. As a go-between?

A. No.

Q. Nothing?

A. Nothing. We deliver gas to the United Gas and they do the dispatching on that quantity. The Jackson, Mississippi line—

Q. (Interposing.) Which line is that?

A. The United Gas Pipe Line Company's line over to Jackson, Mississippi. The Southern Gas Line—

Q. (Interposing.) You mean the Southern Natural?
A. No, the Southern Gas Line.

Mr. Dougherty:
Where does that go?

The Witness:
The line from Monroe to Alexandria.

Mr. Dougherty:
That is a small line?

The Witness:
That is just a small line. And the Arkansas line.

By Mr. March:
Q. Just roughly what percentage is it that you don't have anything to do with?
A. I don't know; I will have to get those figures.
Q. All right. Here is a question I want to ask you. So far as Interstate Natural Gas is concerned you are in complete charge of dispatching; no one else has anything to do with it, have they; you are the chief dispatcher?
A. Yes, but I am subject to supervision.
Q. How many maps do you have in front of you when you are dispatching, do you have three maps or one map?
A. We have quite a number of maps.
Q. Are any of these maps your working maps when you are actually dispatching, either Exhibit No. 43, or—
A. (Interposing.) No.
Q. In other words, you didn't bring those maps down here—
A. (Interposing.) Excuse me, not this particular one.

Q. Which one do you mean, let's identify it?

A. This map.

Q. That is Exhibit Number—

A. (Interposing.) That is one that is used regularly.

Q. You say Exhibit No. 43 is used regularly?

A. Yes.

Q. Well, that doesn't have all the information on it, does it?

A. In so far as the general flow of gas through our gathering system and all is concerned, yes. This is used primarily to show locations of wells and the valves. You will notice that all the valves are on this map and a man can very easily take that map and go into the field and close or open valves without the danger of getting confused.

Q. It is just solely a valve map?

A. Well, yes.

Q. Now this Exhibit No. 5 has nothing to do—you don't utilize that in your regular operations, do you?

A. No.

Q. You don't utilize Exhibit No. 6?

A. Not so far as acreage is concerned.

Q. Now in dispatching gas in this system, the Interstate Natural Gas System, do you treat it as one complete system, one complete system in dispatching gas in Interstate's system; is that one system or do you consider it two systems?

A. From what point to what point?

Q. I mean from the dispatching of all gas of Interstate Natural Gas Company, in the dispatching of that gas as I understand it you move the gas from the wells to the ultimate destination?

A. That is correct.

Q. And in doing that you look at the thing and treat the Interstate Natural Gas Company and all of its lines as one complete integrated system?

A. No, I do not.

Q. You don't consider it a complete integrated system?

A. No—

Q. (Interposing.) It is not integrated?

A. To a certain extent.

Q. Well, in what respect isn't it integrated?

A. Well, inasmuch as the gas is flowing from quite a number of points throughout the field, I consider the operation in the field entirely separate from the operation of the main line.

Q. Well, you have to feed the main line, don't you, or you wouldn't have any gas in it?

A. That is correct.

Q. And in feeding the main line you have to know what the demand is on the line, the markets?

A. That is right.

Q. So therefore it is operated as an integrated system, isn't it?

A. Well, the main pipe line of course is dependent on this gathering system for its gas.

Q. Well, as a matter of fact, in so far as you are concerned it is just one big system here?

A. Yes.

Q. There is a supply and there is a market and you are interested in meeting the market, aren't you, with your supply?

A. That is correct.

Q. And so therefore it is an integrated system, isn't it?

A. I can't answer that, I suppose that would be up—

Q. (Interposing.) You suppose that would be up to the lawyers to answer?

Mr. Dougherty:

Do you know what he means by an "integrated system"?

The Witness:
No, I don't know exactly what he does mean.

Mr. Dougherty:
Ask him, then.

Mr. March:
Here is what I mean by an "integrated system", and see if this fits the definition as far as you see it.

I mean that you have here a company called the Interstate Natural Gas Company; that you have a market; that you have a supply; that you are the dispatcher and you have to meet the market with your supply, and you have to feed gas into your system from individual wells to meet that demand, and the flow of gas in your system is continuous from your supply to your market; and that in meeting that demand with your supply you are operating the system as a coordinated unit, one unit Now would you say that that is what you do?

A. Well, yes, you could say—

Q. (Interposing.) Would you say that that is what you do?

A. I would say we were operating them together.

Q. Would you say you were operating it as one unit, the properties of this company as one unit?

A. Yes.

Trial Examiner:
The hearing is recessed to reconvene tomorrow at 9:45 o'clock.

(Whereupon, at 5:55 o'clock, p. m., the hearing was recessed to Thursday morning, June 18, 1942, at 9:45 o'clock.)

EDEL F. BLANKS, recalled as a witness, having been previously sworn, resumed the stand and testified further as follows:

Trial Examiner:

As I understand it, counsel for the Commission had completed Mr. Blank's cross examination, or had he not?

Mr. March:

Yes, we had.

Trial Examiner:

Proceed, Mr. Dougherty.

Mr. Dougherty:

Well, if you wish to have counsel for any interveners ask him questions before I proceed with him, it will be all right with me.

Trial Examiner:

I expect to call on counsel for the Complainant, and also for the interveners, but I thought if you had this information it would be well to put it in now, because perhaps some of their questions might be based on that as well.

Direct Examination (Resumed).

By Mr. Dougherty:

Q. Mr. Blanks, at the close of the hearing yesterday afternoon, Mr. March asked you to get some information, first with respect to the percentage of holdings of the acreage in the Monroe Field represented by the five named producers whose names were on the lower right-hand corner of that field map exhibit, namely, Exhibit 5. Have you obtained that information from sources which you deem reliable?

A. Yes, I have.

Q. And will you give it for the record, please?

A. Interstate and Hope—20 percent; Union Producing Company—33 percent; Southern Carbon—17 percent; and United Carbon—7 percent.

Q. Now you also were asked by Mr. March to give him an idea of the percentage of the total gas going out of the Monroe Field which you had something to do with in dispatching that is, either as being in full charge of dispatching or acting with respect to what dispatching you do concerning gas that moves to the Mississippi River Fuel Corporation and the Southern Natural Gas Corporation. Have you that information?

A. Yes. 62.3 percent.

Q. That is, 62.3 percent represents that portion of the gas moving out of Monroe Field which you have something to do with in some way or other as a dispatcher?

A. That is correct.

Mr. March:

Just to make the record clear there, state just exactly the companies with which you have nothing to do with dispatching the gas from the field?

The Witness:

The Arkansas-Louisiana Pipe Line Company, the Southern Gas Line, the United Gas Pipe Line Company to Jackson.

Mr. March:

There is a percentage of the United Gas Pipe Line Company you do have something to do with dispatching, though, isn't there?

The Witness:

Yes, the part which we transport for them.

Mr. March:

Does all of that gas come out of the Monroe Field to Jackson? I thought it came out of one of those other fields up there, United Gas's.

The Witness:

Some of the gas does. It might be at times that they are delivering from out of that Claiborne Parish, I believe it is, I am not certain about that.

Mr. March:

Have you got the acreage on those companies you computed the percentage for, have you got the detailed acreage there?

The Witness:

It is based on a total of 287,000 acres.

Mr. March:

Have you got the break-down for each company?

The Witness:

Yes.

Mr. March:

Will you read that into the record, in acres?

The Witness:

On that question, do you want the balance of that 100 percent, is that what you are asking for?

Mr. March:

I want the break-down on the acreage for each company in the field, by companies, the acreage, if you have that conveniently at hand.

The Witness:
It does not show all of the individual companies, it just shows the Interstate.

Mr. March:
What is the acreage there, read off the acreage that you have there?

The Witness:
Interstate Natural Gas Company—56,149.5; Union Producing Company—94,200.73; Southern Carbon Company 49,752; United Carbon—18,689.32; Hatcher & Evans and Maury Drilling Company combined—1,748; and all others—66,610.45.

Mr. March:
What about Hope Producing, did you mention that there?

The Witness:
That is included in "all others".

Mr. March:
Have you got the Hope figure there, that practically includes most of "all others", doesn't it?

The Witness:
No.

Mr. March:
You don't have that figure there?

The Witness:
No, I don't have that figure here.

Mr. March:
Who gave you those figures?

The Witness:
I obtained these figures from the United Gas.

Mr. March:
The United Gas?

The Witness:
Yes.

Mr. March:
I presume, Mr. Dougherty, you could get the Hope figures for the record?

Mr. Dougherty:
I think we can.

Mr. March:
I would appreciate it if you would complete it.

Mr. Dougherty:
We can get it today.

The Witness:
I might say here, too, that this is not as of the first of this year. This is in 1938, and I haven't available right at this time the actual figures up to date, but if they are desired I would have to go back and take those figures off. That is approximate.

Mr. March:
Those figures that you have given us as to acreage, the percentage figures that you have given us, does that include everything, all the acreage shown on Exhibit No. 5?

The Witness:
Yes.

Mr. March:
In the field and not in the field?

The Witness:
That is right, that is right.

Mr. March:
It is just limited to the area colored here on Exhibit No. 5?

The Witness:
This figure that I have given is based on all of the acreage held in the field by these companies, whether it is on that map or not, at this time. The total as given here might not correspond to the total acreage colored there.

Mr. March:
Of course, you don't know what the field is here, because the boundaries aren't set forth?

The Witness:
That is right.

Mr. March:
There is one other point that I asked him to get for me, and I think he probably overlooked that, and that is the draft of this exhibit as written by Mr. Cooper.

Mr. Dougherty:
Mr. Lange has that, we sent it in preliminary form to him from New York.

Mr. March:
That is the draft that Mr. Cooper wrote?

Mr. Dougherty:

Yes. If you want to examine Mr. Cooper about it, you can do so.

Mr. March:

I want to see it first.

Mr. Dougherty:

That is the one we sent down.

Trial Examiner:

Did you have some further questions, Mr. Dougherty?

Mr. Dougherty:

Yes, I do. I didn't know whether you wanted me to wait until after these men had completed.

Trial Examiner:

Go ahead.

By Mr. Dougherty:

Q. Mr. Blanks, when you mentioned the 62 percent figure as being that percentage of gas which you handle, that, as I understand it, is of the gas that originates in the Monroe Field, and does not take into consideration any gas that comes from Logansport or elsewhere in Louisiana and moves through the Monroe Field?

A. That is correct, the figures that I have given have been taken off of the department of Conservation Report on Gas Input for the lines during the year 1941, that is where the figures are obtained.

Q. Now, Mr. Blanks, I want you to describe, in connection with your dispatching operations, just the process by which your dispatching organization determines the quantity of gas that has to move through the main pipe line from Desiard and what quantities go to the

other points of delivery in the Monroe field? Where is your chief dispatching office for Interstate?

A. At Fowler or Desiard Compressing Station.

Q. Do you have an office building there in which the dispatching organization is?

A. That is correct.

Q. How many dispatchers are on duty at a time?

A. Only one.

Q. How does that man get information with respect to the quantity of gas that is needed for deliveries from the main pipe line on any particular day?

A. We maintain a dispatching office at Scotland, that is at Baton Rouge, and from these dispatchers we obtain information pertaining to the loads as they exist at the time, and any anticipated changes that might occur in load conditions. We received weather conditions. And all of this information obtained by these dispatchers at Baton Rouge is relayed to the dispatcher at Fowler.

Q. Does your dispatcher at Baton Rouge keep in touch with the industrial customers and other customers there?

A. Yes.

Q. As to their demands?

A. Yes.

Q. And does he keep in touch with the United Gas Pipe Line dispatcher in respect of the demands for New Orleans?

A. Yes. The United Gas has a dispatching office at the City gate of New Orleans, and each morning they requisition the amount of gas that they anticipate being used during the day in the City.

Q. Now at what time during the day does your dispatching office at Fowler get this information with respect to the demands on the main pipe line?

A. The first estimate of demands is made the first thing in the morning, around 8 to 9 o'clock.

Q. Does the dispatcher there at the Fowler office then compute what quantity of gas will have to be delivered into the Desiard Compressor Station that day, based on that information?

A. That is right.

Q. And what other process does he go through to get additional information as to other requirements that you have to serve?

A. Well, the United Gas, to whom we sell gas for the account of Memphis Natural Gas Company, informs us in the morning as to the load or the delivery to be made by Interstate. Also the dispatcher of the Southern Natural Gas Company informs our dispatcher of the amount of gas that is to be delivered by the producers, and of course this figure is taken and broken down as to the deliveries by each producer. The Mississippi River Fuel Corporation also calls in and notifies us as to the amount of gas they want delivered, and we in turn take that figure and break it down among the several producers in accordance with their contract percentages.

Q. Does your own dispatcher then make a computation as to the total quantity of gas which will have to be produced, plus that which Interstate is purchasing in the field, to meet these demands which you have mentioned?

A. That is correct.

Q. Then what does he do after he has assembled that information, that is, what does he do with respect to meeting those demands?

A. He figures how much gas he has on his gathering system, how much he has in his main line, and then proceeds to put additional gas on in the field to supply any increase, or take it off to take care of any decrease that might be occurring.

Q. Does he make a separate determination as to quantities for each of those customers, that is, the Mississippi,

the Southern and the Memphis line, and does he also make a separate determination as to the amount that has to go into the main line through the Desiard Station?

A. He determines how much the entire main line system is going to require, and how much gas is to be sold in the field.

Q. I want to call your attention to Exhibit 43, which is the dispatching diagram. Yesterday, in talking about Line F-33, you mentioned something as to it having been in existence prior to the acquisition by Interstate of this line T-9. Where did F-33 end at that time?

Mr. March:

At what time is that?

Mr. Dougherty:

Prior to the acquisition of Line T-9.

The Witness:

It ended at a junction on F-1, right opposite the point of delivery to the Southern Natural.

By Mr. Dougherty:

Q. Was there at that time any connection between F-33 and F-1?

Mr. March:

Could we fix the time a little more definite in the record? I apologize for interrupting.

Mr. Dougherty:

The record shows that that T-9 was acquired in 1936, so it would be prior to that time.

Trial Examiner:

Read the question, please.

(The pending question was read by the reporter.)

By Mr. Dougherty:

Q. I am referring to the time just preceding the acquisition of Line T-9, and will you, in connection with that, in connection with your answer, state the time when Line T-9 was acquired?

A. Yes, there was a connection between F-33 and F-1.

Q. And what was the time when T-9 was acquired?

A. I believe that I show that in my exhibit there, my testimony. I just want to make certain.

Trial Examiner:

The only reference I see to it is on page 155 of the transcript.

Mr. Dougherty:

It may be in the written statement of this witness, if the Examiner please.

Trial Examiner:

As I understand that testimony, you said it was about 6 years ago?

The Witness:

Yes. It was in the year 1936.

By Mr. Dougherty:

Q. Mr. Blanks, I think the papers which you are examining do show that some work of relaying or relocating a portion of that line took place in October and November, 1936?

A. That is correct.

Q. So that it would be prior to October, 1936, that the line was acquired by Interstate?

A. That is correct.

Q. Now when and in what manner was F-33 then tied into a connection with T-9?

A. There was a line shown as F-33-B laid from F-33 over to T-9.

Q. What length is that connecting line?

A. Approximately a quarter of a mile.

Q. Has there been any disconnection of the connection which did exist between F-33 and F-1 in 1936?

The Witness:
Repeat that question again, please?

(The question was read by the reporter.)

The Witness:
No.

By Mr. Dougherty:

Q. And can gas at the present time be put into F-1 from F-33, if desired?

A. It could be, yes.

Q. The pressure of gas in F-33 is higher, is it, than that in F-1?

A. That is correct.

Q. Was F-33 tied into some other portion of the field line system, and maybe it still is, but what I am thinking of primarily is prior to the acquisition of T-9? I think you said something about some F-30 yesterday, didn't you?

A. Well, F-30 is tied into it, that is, into F-33.

Q. Well, is that a connection whereby gas could move from F-33 into F-30?

A. Yes, it could.

Q. Or vice versa?

A. At this time the gas out of F-3 and F-51 could not, because the pressure in F-33 exceeds that pressure in F-3 and F-51.

Q. You mentioned F-3 and F-51. In what way are those lines connected with F-33?

A. Through a short line extending from F-30 over to F-33.

Q. Then does F-30 tie into F-3?

A. Yes, F-30 ties into F-3.

Q. That is, as I see it on the map here, you have F-3 and F-51 as running close together?

A. That is correct.

Q. Then there is a fairly long line marked F-30 which runs from both F-51 and F-3 in an easterly direction, or toward the right of the map, and has a connection with F-33?

A. Yes.

Q. Now as I understand your statement, at the present time the gas that might move through F-30 is lower pressure gas than that in F-33?

A. Yes.

Q. So that there could now only be a movement of gas from F-33 to these other lines?

A. That is correct.

Q. Have you in the past had to rearrange and change your field system to meet changing conditions, both of production and of demand of your markets?

A. Generally speaking, yes.

Q. As I recall it, you said that F-1, when first built, brought gas into Desiard?

A. That is correct.

Q. Whereas, now it takes gas in the other direction for delivery to Southern Natural and Mississippi River Fuel Corporation?

A. That is correct.

Trial Examiner:

What was the function of F-1 at the time F-33 was tied in directly with it?

The Witness:
At the time F-33 was tied into F-1, it was extended to the point near Wells 15 and 21, and that brought gas into F-1.

Trial Examiner:
And when the gas got into F-1, where did it go?

The Witness:
It came South through that particular line.

Trial Examiner:
That was before the movement started North in F-1, is that right?

The Witness:
That is correct.

By Mr. Dougherty
Q. With respect to those delivery points along F-1 at Cargas and the one near Guthrie, the first being from United Carbon and the next from Southern Carbon, are those still maintained so that if need arose deliveries of gas could be made into F-1 at those points?
A. That is correct.
Q. Whether gas will be delivered there will depend on the necessities of your operations in the future?
A. It will depend on their desire to make deliveries of gas to us.

Mr. Dougherty:
That is all.

Cross Examination (Resumed).

By Mr. March:

Q. There is only one question I have here, which is on F-30. As I gather from your testimony, no gas can feed from F-30 and F-30-A into F-33?

A. At the present time, no.

Q. Because of the pressures in F-33?

A. That is correct.

Q. Well, when was the last time any gas moved from F-33 over F-30-A and F-30 to F-3 and F-51?

A. It has been several years.

Q. It has been about 10 years ago, hasn't it?

A. No, I don't think it has been that long, probably 7 years ago. Just a moment and I will look that up.

The line F-54, which you will notice goes over to a dotted line showing Southern Carbon up near Well 21 and Well 15, that line was laid in 1937, so it was approximately 5 years ago that gas moved in that line.

Q. And here is another question, one final question. How does gas get into F-59 from F-206 or F-204 or F-103?

A. From F-204 there is a cross-over at the junction of F-59 and F-204. There is a cross-over just north of the river. The gas can enter F-59 out of F-3.

Q. Here is what I want to know—how does gas get from F-206 into F-59? Or does it?

A. It is not at the present time moving that way.

Q. It couldn't, could it?

A. Yes.

Q. Are the pressures higher or lower in F-59 than F-206?

A. The pressure in F-206 is higher than the pressure in F-59.

Mr. March:

That is all.

Direct Examination (Resumed).

By Mr. Dougherty:

Q. Mr. Blanks, when was the F-33 field line first constructed, that is, the first part of it?

A. January, 1930.

Q. And how far did it extend at that time?

A. 2.02—

Q. (Interposing.) Refer on the maps to the wells—

A. (Interposing.) Give me that question, please?

Q. What I want to know is, when F-33 was first constructed, how far up into the field did it go? For example, you show a river crossing against Bayou Bartholomew, I guess, or some stream. I want to know how far was its original construction?

A. It went just a little past the connection where F-30A tied into F-33.

Trial Examiner:

Well, it extended, then, from F-1 to the point you have just described?

The Witness:

That is correct, approximately 2 miles.

By Mr. Dougherty:

Now when was it extended beyond, to the areas which it now serves?

A. In October, 1936.

Q. And was it at that time extended to where it is shown on Exhibit 43?

A. That is correct, to the tie-in with Line F-103.

Q. And that was at the time that T-9 was put into operation as a part of the main line system?

A. That is correct.

Mr. Dougherty:
That is all I have.

Trial Examiner:
F-33, I believe you said, was a 16-inch line?

The Witness:
That is correct.

Trial Examiner:
And T-9 is a 16-inch line?

The Witness:
Yes.

Trial Examiner:
What is the approximate pressure on F-33?

The Witness:
It has a line drop, of course, from its connection with F-103 down to this point. The point at Perryville usually is 360 pounds, the terminal end of the line.

Trial Examiner:
What is the pressure on T-9 just below that point?

The Witness:
The same pressure.

Trial Examiner:
There is no change in pressure, then, when it moves from F-33 to T-9?

The Witness:
No.

Trial Examiner:
There is nothing done to the gas at all at that point?

The Witness:
Not a thing.

Trial Examiner:
And both lines are the same size?

The Witness:
That is correct.

Cross Examination (Resumed).

By Mr. March:

Q. Can you show me one sentence which you authored in this Exhibit 42 which are your own words just like you wrote it?

A. I helped develop quite a few of the sentences.

Q. I want to know any sentence in the whole Exhibit 42 which you wrote and you edited yourself, that you wrote in your own words and edited and that is your work?

A. To state that as a fact I would have to get the original notes that we wrote it from.

Q. You have got those working papers here, haven't you?

A. I sent them to Mr. Lange as I told you, Mr. March, and whether we have another copy here or not, I don't know.

Mr. Cooper:

I think the working papers are with Mr. Wilenzick. The original notes are in Monroe, the ones that Mr. Blanks worked on.

Mr. Lange:

His working papers were not sent with your letter, Mr. Dougherty?

Mr. Dougherty:

No. What was sent with my letters was what Mr. March asked me about, namely, the material that had been prepared by Mr. Cooper.

Mr. March:

I want to know if he actually wrote any of this?

Mr. Dougherty:

He told you he has.

Mr. March:

If he could tell me any sentence in the thing he actually wrote—

Mr. Dougherty (Interposing):

He told you he has to get the one which Mr. Cooper prepared, which was the basis for this final exhibit, and he would have to compare them before he could tell you that.

The Witness:

As I have said, Mr. Cooper did most of the writing. I dictated some of the sentences the way they should be put in there, so that they would be plain to the Examiner from the way I looked at it, the way I would be able to understand.

By Mr. March:

Q. Was there any difference between you and Mr. Cooper as to how this was to be composed?

A. Not particularly.

Q. Well, were there any differences?

A. Well, some of the expressions used in there by Mr. Cooper didn't bring out just exactly the thought.

Q. Isn't Mr. Cooper the author of every expression of "gathering lines" throughout every bit of this exhibit?

A. No, sir.

Q. Are you the author of any of it?

A. I refer to it as "gathering" all the time. If I should write about it, I would say that the gas is gathered from several points.

Q. Can you indicate a single reference there to gathering lines that Mr. Cooper didn't write?

Mr. Dougherty:

Mr. Examiner, I would like to object to further questioning until we can get the material by which the question can be answered with a saving of time.

Mr. March:

That is satisfactory to Commission counsel, if it pleases the Examiner.

Trial Examiner:

All right.

Does counsel for the Louisiana State Commission have any questions?

Mr. Frye:

Only one or two, Mr. Examiner.

Cross Examination.

By Mr. Frye:

Q. Did you say, Mr. Blanks, in the early part of your direct testimony yesterday, that you had had occasion in

recent months to materially reduce your purchases from certain producers in the Monroe Field?

A. Correct.

Q. Would you mind stating what producers those were?

A. United Carbon Company and Southern Carbon Company.

Q. Would you mind stating the occasion of why those purchases were reduced?

A. The matter of reducing purchases, and so forth, is left entirely to the management of the company.

Q. Well, you yourself don't know why those purchases were reduced from those particular companies?

A. Well, yes, in order that we might use some of our own production.

Q. Well, to the extent that those purchases were reduced from producers in the Monroe Field, were they supplanted by purchases from producers in other fields?

A. No.

Q. They were supplanted by your own production, is that right?

A. Exactly.

Q. And that production was in the Monroe Field?

A. Exactly.

Mr. Frye:

That is all I have.

Trial Examiner:

Counsel for the City of New Orleans?

Mr. Coleman:

No questions.

Trial Examiner:

Counsel for the City of Baton Rouge?

Cross Examination.

By Mr. Kizer:

Q. I would like to know whether or not, Mr. Blanks, you have the data available as to the amount of gas which the Interstate took last year from the University Field?

A. I could obtain it, yes. I might have it here somewhere. There was 4,811,901,000 cubic feet taken in the year 1941. That is shown in our Exhibit No. 38.

Q. Now at what point does the Interstate take that gas, where does it enter your line? Have you built a pipe line to the field?

A. We have built a pipe line system there in the field to the several producers from which we take gas, to their wells.

Q. Now what is the distance of transportation from the field to your main line?

A. You want to know the length of the line from the field to where we deliver the gas into the United Gas?

Q. Yes.

A. Is that right?

Q. Yes.

A. I don't have that exact distance here but it is approximately 10 miles.

Q. On the map you have there, does it show the, United line?

A. Not on this map, Exhibit 43, that I have before me. We do have a map that does show that line.

Q. Does all of the gas that you take from the University Field all go to the United, is it all delivered to the United?

A. No.

Q. What percentage of it is delivered to the United?

A. Approximately 80 percent.

Q. Well, where is the other 20 percent delivered?

A. It is delivered to the Gulf States Utilities Company.

Q. What do you pay for that gas in the field?

A. I will have to check that. It is shown in Exhibit 38 as 4 cents.

Q. How many booster stations do you have to take that gas through to deliver it to the Gulf States Utilities?

A. None.

Q. That 4 cents is based on what pressure?

A. It is based on 10 ounce plus 14.7 pounds per square inch.

Q. Now what does the Interstate get for that gas from the Gulf States Utilities?

A. That is included in the rate to the Gulf States Utilities with the rest of the gas that we deliver to them at the city gate on Shada Avenue, North Baton Rouge.

Q. In the sale of this gas, what is the pressure, I hardly know exactly how to term it because I don't quite understand it, but there is a differential in the pressure per square inch in the sale of the gas. Now what is it in the sale?

A. Our contract with the Gulf States is on 8 ounce plus 14.7 pounds per square inch.

Q. Now how much gas does the Gulf States Utilities purchase, how much did they purchase last year?

A. We purchase down in University Field an average of one million and a half per day over the entire year, which was sold to the Gulf States Utilities Company.

Mr. Dougherty:

Wasn't your question how much was sold to the Gulf States for Baton Rouge in total?

Mr. Kizer:

Yes.

Mr. Dougherty:
What he wants is not how much from University Field did you sell.

By Mr. Kizer:
Q. How much did Gulf States purchase from you last year for distribution in East Baton Rouge Parish?
A. 1,225,258,000.

Trial Examiner:
Does that figure appear in one of the exhibits already offered?

The Witness:
It appears in Exhibit No. 41.

Mr. Kizer:
Your Honor, I haven't been furnished with those exhibits. I will be, but I haven't as yet.

Trial Examiner:
I understand.

Mr. Kizer:
That is all.

Mr. March:
Mr. Examiner, I have now discovered the original letter of June 9, 1942, written to Mr. Lange by Mr. Dougherty from New York, transmitting a draft of Exhibit No. 42 which was written by Mr. H. C. Cooper in New York.

Mr. Dougherty:
That is C. W. Cooper. H. C. is the father of C. W. Cooper.

Mr. March:

I want to have that marked for identification here in the record so that the Examiner can see just exactly to what extent this exhibit was composed by the witness here. I suggest that it be marked for identification as Exhibit 42-A.

Trial Examiner:

Just what would be the significance of that?

Mr. March:

It would just show that Cooper composed practically all the exhibit in New York City himself. And he put in this gathering line situation all through here, just like a sailor singing a song with the same tune. This was written by a lawyer in New York City, and not by this witness. That is what I want to show by putting this in here, so that the Examiner can make the comparison himself before he rules on the exhibit.

Mr. Dougherty:

Of course, Mr. Blanks has said that he has collaborated and that all of the things that are there are his own. Also, I might say that Mr. Cooper was acting as an engineer when he prepared that, not as a lawyer. That is one of the days when he was an engineer.

Trial Examiner:

I don't think the Commission will be influenced very much by what Mr. Cooper or Mr. Blanks call these lines so far as that is concerned. They are going to determine what the nature of the line is by its function, and they will make their own determination as to whether it is a gathering line or a transmission line.

Mr. March:

We object to an exhibit going into evidence here with this reference in regard to gathering lines all through it. That reference being written by a lawyer, it is a legal argument. We are going to oppose admission of this exhibit into evidence unless every reference to gathering is deleted, because this witness has indicated, during his cross examination, that he doesn't know exactly what he means by gathering and it is a legal conclusion, and so we move to strike from the face of the exhibit all reference to gathering, and if it is so desired that can be referred to as field lines.

Mr. Dougherty:

Well, it is clear from both the direct examination and cross, that Mr. Blanks heard of the words "gathering line" and "gathering system" long before the Natural Gas Act was ever passed, and also that that was the sense in which he has just used it in this statement and in his testimony, that is, just as they use it in the operations, and I think it has no more significance than that, namely that as an operating problem that system of field lines is referred to as the gathering system of Interstate Natural Gas Company.

Now if that is something different than what the law calls a gathering line, the Commission is going to decide it. They are not bound by what we say, but there is no reason to avoid using a term that has been in the industry for years, and which Mr. Blanks uses, just because it happens to have, in addition to its operating significance, some legal significance.

Trial Examiner:

I think the cross examination has already developed that there is no connection between Mr. Blanks' use of the word "gathering", and the term as it is used in the

Natural Gas Act. He has used it simply as an operating expression, as I understand his testimony, and he actually hasn't made the distinction necessary to be made under the Natural Gas Act.

Mr. March:

As I understand his testimony, he doesn't know what he means by "gathering".

Trial Examiner:

That is just the point.

Mr. March:

And he has used it here in a repetitious manner, or Mr. Cooper has, for a purpose,—I don't know what the purpose is, but it is clear in the record that it has been used over and over again here for a purpose. It is confusing in the record, and we move that it be stricken from the exhibit, and that "field lines" be inserted in lieu thereof. We also want to have this marked for identification so we can have it in the record, if the other exhibit goes in, so we can see just exactly what Mr. Cooper composed and what this witness composed.

Trial Examiner:

If that has any particular significance, of course it is perfectly proper to bring it out, there is no question about that. On the other hand, I don't think that a particular witness can be required to use particular words or particular expressions in his testimony. The cross examination is intended to and will develop what he means by those words and what their significance is; and as I said before, the Commission itself will determine whether the line is a gathering line or not, and will not be influenced whatsoever by Mr. Blanks' use of that word or term.

The document will, of course, be marked for identification, and if counsel wishes to employ it further he may do so. The motion is denied.

(The document referred to was marked as Exhibit No. 42-A for identification.)

Trial Examiner:
Do you have any further questions?

Mr. March:
I would like to have Mr. Cooper identify this draft that he has made.

Trial Examiner:
Have you completed the examination of this witness?

Mr. March:
Yes.

Mr. Kizer:
May I ask just one other question, if we can revert back?

Trial Examiner
Go ahead.

By Mr. Kizer:
Q. At what point does the gas taken from University Field enter the Interstate line, is it South of Baton Rouge or North of Baton Rouge?
A. You are speaking of the United Gas line?
Q. Well, I understood you to say that 20 percent of the gas was delivered to the Interstate line and 80 percent was delivered to the United line?

A. You misunderstood me, or I stated it incorrectly. I meant that approximately 20 percent was delivered into the Gulf States, that is a little high after having looked at this figure. It would probably run 15 percent.

Q. Well, at what point does it enter the United line?

A. Down at what is known as Kleinpeter Station.

Mr. Dougherty:

Mr. Blanks, what counsel for Baton Rouge wants to know is whether or not any gas from the University Field goes into the Interstate's main line North of Baton Rouge?

The Witness:

No, it does not.

Mr. Dougherty:

Another thing he wants to know is,—the gas there that is delivered from the University Field to Baton Rouge, where is that delivered to the Gulf States Utilities?

The Witness:

That is in the South end of Baton Rouge, near the University Field on—I forget the name of the highway.

Mr. Dougherty:

I think that explains it—

The Witness (Interposing):

It is Highland Road.

Mr. Dougherty:

The portion of the gas that is sold for resale within the limits of Baton Rouge is delivered to Gulf States Utilities at a point South of the town, which is a different point than that at which the gas which moves from

Monroe is delivered to. It goes into their system at a different point.

Mr. Kizer:
That was what I wanted to know.

Mr. Frye:
May I ask one more question, Mr. Examiner?

Trial Examiner:
Go ahead.

Cross Examination (Resumed).

By Mr. Frye:

Q. The gas which you dispatch from the Monroe Field, could you tell us what percentage of that moves wholly within the State and what percentage crosses State lines?

A. All of it crosses the State line except that gas which is delivered from University Field.

Q. You mean to say that all of the gas that you dispatch out of the Monroe Field crosses the State lines?

A. Oh, no, I thought you meant the percentage that was sold to Baton Rouge. You mean all of the gas—

Q. (Interposing.) I mean of the total gas transported out of the Monroe Field by the Interstate Natural Gas main transmission line.

A. I would say 99 percent of it crosses a State line.

Q. And 1 percent is wholly within the State?

A. That is correct.

Mr. Frye:
That is all.

Mr. Kizer:

This amount of gas taken from University Field, as you say 85 percent of it goes to United. Is that transported by United to New Orleans?

The Witness:

It is transported by the United Gas for industrial customers that we have down between Baton Rouge and Destrehan, Louisiana, and what those customers do not use is transported on in to New Orleans.

Trial Examiner:

That is all, Mr. Blanks.

(Witness excused.)

Trial Examiner:

I believe counsel for the Federal Power Commission wanted to get Mr. Cooper to identify this document that has been marked Exhibit 42-A for identification. I suppose we might do that now.

* * * * * *

Cross Examination.

By Mr. March:

Q. Mr. Lerch, are you familiar with the organization of Interstate Natural Gas Company?

A. Yes, sir.

Q. Did you participate actively in the organization of Interstate Natural Gas Company?

A. Yes.

Q. Who were you representing at that time?

A. Ford, Bacon & Davis as managers of the property.

Q. You were an employee at that time of Ford, Bacon & Davis, Inc.?

A. That is right.

Q. Were you an officer of the company?

A. At that particular time I was not; I was later a stockholder of the company but I was never an officer of Ford, Bacon & Davis.

Q. Under whose direction and supervision were you working at the time?

A. Mr. von Phul's.

Q. Was that William von Phul whom we discussed a few minutes ago?

A. The same man.

Q. By whom was Ford, Bacon & Davis employed in regard to the organization of Interstate Natural Gas Company?

A. They were employed at first, according to a stipulation that is in the record here, by the Standard Oil Company (N. J.) under a contract calling for the establishment of the entire project.

Q. Did you have personal charge of getting the gas rights together for which Ford, Bacon & Davis was responsible, according to the agreement of October 9, 1925?

A. No, that was under the immediate direction of Mr. Hill.

Q. Edgar Hill?

A. Edgar G. Hill.

Q. He is an official of Ford, Bacon & Davis, Inc.?

A. I believe he is now a vice president of Ford, Bacon & Davis, and I think president of Ford, Bacon & Davis Construction Corporation.

Q. Did you work with him?

A. Yes, sir.

Q. Did you work as his assistant?

A. That is right.

Q. Then you are familiar with the complete negotiations and the execution of the agreement between Standard Oil and Ford, Bacon & Davis of October 9, 1925?

A. I am familiar with that to the extent that everything that has happened since that date has come to my attention or under my attention. As a matter of fact that contract was worked out by—and I am giving you recollection or backhand knowledge now—was worked out by Mr. von Phul and Mr. Bacon, with the Standard Oil Company. That is Mr. Bacon of the firm name. And it was then turned over to Mr. Hill under their general direction to begin the carrying out of the stipulation and the requirements of the contract.

Q. As I gather from your direct testimony, this whole project was gotten together for the purpose—primarily for the purpose—of serving the Standard Oil Company's refinery in Baton Rouge?

A. That is right.

Q. And it was for that purpose that the transmission line was constructed?

A. That is right.

Q. At the time these properties were gotten together and the line constructed, was there any contemplation that domestic markets would be served, that the general public would be served?

A. Well, I would say that since the project was worked out by men interested in the natural gas business, and talking to men on the part of Standard who looked after Standard's not inconsiderable natural gas business, that it would be reasonable to assume that they did think of the possibilities of additional markets if the refinery made it possible to carry the base load of the line.

Q. Do you know, Mr. Lerch?

A. Well, of course nobody knows, Mr. March, and I can only tell you what the circumstances clearly indicate to me, that they did contemplate selling the full capacity of that line if the refinery did not take it.

Q. In other words, the refinery was to have the preference on any gas?

A. Yes. As a matter of fact the figures in the stipulation showing how much they anticipated selling to the refinery, and the initial capacity of the plant as designed, indicate that there would be very little for sale to anybody else. I think the stipulation shows that the refinery was to take 60,000,000 feet, or perhaps 65,000,000 feet per day; I just don't recall the figures but the exhibit will show; and in addition to that the plant itself was designed to carry somewhere between 75 and 80 million, we call it actually 77 million. Now the peak loads at the refinery might easily have so exceeded 65,000,000 that there would have been no element of safety in attempting to sell gas to anyone else. That is the picture as it stood when the project was conceived.

Q. Did Standard Oil organize Interstate Natural Gas Company?

A. I suppose you would say that they did. Really I don't know who the incorporators of the company were. I suppose they were some lawyers or incorporators, but it was done of course at the direction of Standard Oil Company.

Q. Standard Oil Company has had continuous control over the Interstate Natural Gas Company since its incorporation, is that correct?

A. They have always had a majority control of the stock.

Q. In other words, here this whole project was conceived and put into operation by Standard Oil primarily for the purpose of serving their refinery at Baton Rouge?

A. That is right.

Q. Mr. Lerch, when did you become an official of Interstate Natural Gas Company?

A. Sometime in December, 1933, I was elected a director and vice president.

Q. Prior to that time had you been taken from the payroll or removed from the payroll of Ford, Bacon & Davis, Inc. and employed by Interstate Natural Gas as an employee?

A. I left Ford, Bacon & Davis as of December 1, 1933, and became an employee then of the Standard Oil Company.

Q. In other words you were employed directly by the Standard Oil Company?

A. Yes.

Q. Are you still so employed?

A. No, I am employed by Gas Companies, Inc.

Q. Which is a wholly owned subsidiary of Standard Oil?

A. Indirectly; it is owned by three wholly owned subsidiaries of Standard Oil.

Q. When did William von Phul become a director of Interstate Natural Gas Company?

A. Upon its first organization he was elected a director and president, and remained president and a director —he is still a director—and he remained president until I succeeded him in May, 1935, I believe it was, sometime early in 1935.

Q. At what date did the management agreement which Ford, Bacon & Davis had with Interstate Natural Gas Company, expire?

A. Coincident with my becoming president, early in 1935.

Q. And were a good many members of the staff of Ford, Bacon & Davis taken over by Interstate Natural Gas Company?

A. None at all.

Q. You were the only one—

Mr. Dougherty (Interposing):

Mr. Lerch, I don't know whether Mr. March is referring to the first instance in 1926 when there were of course some people that came over—

The Witness (Interposing):

I was assuming, following him chronologically, that he was talking about 1935.

By Mr. March:

Q. In 1933 when you became an officer?

A. No, in 1933 there was nobody.

Mr. Dougherty:

I wanted that to be clear because in 1926 there were some men who formerly worked for Ford, Bacon & Davis that did go to the Interstate Natural Gas Company's employ.

The Witness:

I might state this, in order to clear it up, that at the end of the construction period, when Interstate's organization came into active being, which was the beginning of 1927, the organization was made up of such employees as were necessary from the construction organization, who had been paid or employed, you might say, by Ford, Bacon & Davis as agent. The company itself was not initially incorporated because everything proceeded under this stipulation.

By Mr. March:

Q. Whom does William von Phul represent on the Board of Directors of Interstate Natural Gas Company?

A. He represents no particular interest, just his knowledge of the company and his very excellent services from the point of advice and so forth; and Mr. von Phul, incidentally, is an old New Orleans man, I am sure there are many people here that know him. He graduated from Tulane before they gave out degrees and recently I believe was given his degree and a doctorate, the first engineering doctorate that Tulane gave.

Q. In other words, he was sort of local color—

A. (Interposing): No indeed, if you knew him you would not say that.

Mr. Dougherty:

He is very colorful, but not local.

Mr. March:

I didn't ask about his connection with New Orleans.

By Mr. March:

Q. Does William von Phul sit on the Board of Directors at the meetings of Interstate's board, when you make all these contracts with Ford, Bacon & Davis, Inc.?

Mr. Dougherty:

May I inquire what contracts counsel is referring to?

Mr. March:

Any contracts made during the time he has been on the board of Interstate Natural?

The Witness:

He has always been on the board and I am sure has been on the board when every contract of the company was made, regardless of whether they were with Ford, Bacon & Davis, or anyone else.

Mr. March:

In other words, he was on the board when a great many of these construction contracts were negotiated, is that right?

Mr. Dougherty:

For the sake of accuracy, if the Examiner please, if Mr. March is referring to the initial contract that was

with Standard Oil Company, not with Interstate Natural Gas Company. I don't know to what contract he is referring. We are getting a lot of loose talk here in the record, and if there are contracts, let's have them specified.

Mr. March:

That is satisfactory, Mr. Examiner, I don't care to ask any more questions along that line.

By Mr. March:

Q. Now you and von Phul sit on another board of directors together, don't you?

A. No.

Q. You don't?

A. No.

Q. Don't you sit on the board of directors of the Mississippi River Fuel Corporation?

A. I do; he doesn't.

Q. Does he sit on the board of directors of Southern Natural Gas Company?

A. I am so informed, but I don't know.

Mr. Dougherty:

Be very careful, Mr. Lerch; if you don't know you had better say you don't know because Mr. March will object to your assumption—

Mr. March (Interposing):

I am not objecting to a thing he is saying here.

By Mr. March:

Q. Does Southern Natural have a large contract, wholesale contract, with Interstate Natural?

A. It does.

Q. Was William von Phul sitting on both boards of directors when that contract was negotiated?

A. Well, that contract was negotiated at the time or prior to the time the Southern Natural was started, that is even before the present Southern Natural company came into existence, and before the initial one, and to follow my lawyer's instructions I will have to say I don't know whether he was a director at that time, but I have every reason to think he was not a director of Southern Natural at that time.

Q. What do you mean by the statement that you have every reason to think he was not a director; have you any reason at all to think he wasn't?

Mr. Dougherty:

Just say you don't know, and that will end the argument.

The Witness:

All right; on advice of my counsel I will have to say that I don't know.

By Mr. March:

Q. When was the last contract entered into between Interstate Natural and Southern Natural?

A. Well, there was an amendment made to their contract about a year ago I guess it was, completed about a year ago, which is on file with the Federal Power Commission.

Q. Von Phul was sitting on the board of directors of both companies when that contract was negotiated, wasn't he?

A. He was a director of Interstate when that was done.

Q. Was he a director of Southern Natural?

A. I don't know.

Q. You people of Interstate Natural do not concern yourselves as to whether or not one of your fellow members on the board of directors is serving on the board of directors of the company you are contracting with?

A. No, I don't concern myself with it; I don't know if anyone else does.

Q. What would you do if you were sitting on boards of directors of two companies which contracted with each other; which company would you represent?

Mr. Dougherty:

I object. I don't know what pertinency it has to get Mr. Lerch's opinion as to what he would do if something were so which is not so.

Mr. March:

Then I will ask him something which is more nearly in point; something that is so.

By Mr. March:

Q. Mr. Lerch, you are a member of the board of directors of Mississippi River Fuel Corporation?

A. I am.

Q. Are you also vice president of the company?

A. President.

Q. You are president of both Mississippi River Fuel and Interstate Natural?

A. Yes.

Q. Now have those two companies had any contracts with each other negotiated recently?

A. No, I think not.

Q. Have they ever had any contracts negotiated while you have been president of both companies?

A. I would say no, that they have not.

Q. When was the original contract negotiated between Mississippi River Fuel and Interstate Natural?

A. About 1929 or 1930, along there somewhere; it is on file here.

Q. When was the last contract negotiated?

A. I think that is the only one; there have been no new contracts.

Mr. Dougherty:

I may be able to refresh his recollection on that, Mr. March. You will recall, Mr. Lerch, in 1937 when Mississippi borrowed money from four insurance companies, that the gas purchase contracts were extended to 1952 in order to coincide with the maturity date of the bonds. That was a modification. Do you have that recollection?

The Witness:

I do now, I beg your pardon. I was thinking of brand new contracts, not arising from any amendment or extension of the old contract. What Mr. Dougherty has said is true. We did extend the contracts and the filed documents will show—

By Mr. March:

Q. (Interposing): When President Lerch deals with President Lerch, who does President Lerch represent; does he represent Mississippi Fuel or Interstate Natural?

A. Well, I will tell you. I am the executive officer of the Mississippi River Fuel Corporation and the recommendations for Mississippi are referred to the board of directors, and all of the actions are subject to their approval, in practically every instance, subject to their approval before executive action is taken.

Q. Who is chairman of the board of directors of Mississippi River Fuel?

A. There is no chairman.

Q. Who presides at the meetings?

A. I preside.

Q. How long have you been president and a director of Mississippi River Fuel Corporation?

Mr. Dougherty:
Could I make—

Mr. March (Interposing):
Just one second until I get this question answered.

Mr. Dougherty:
I am sorry.

The Witness:
It is somewhere in the record. I think it was either 1934 or 1936.

Mr. Cooper:
It was February, 1939.

Mr. Dougherty:
That was after Mr. H. C. Cooper retired.

The Witness:
Yes; I was an officer prior to that.

Mr. Dougherty:
Vice president.

By Mr. March:
Q. Who did Mr. Cooper represent on the board?
A. Standard Oil.
Q. Are you representing Standard Oil Company?
A. Yes.
Q. Are you also representing—
A. (Interposing): That is I am designated as their director on the board.
Q. Are you designated likewise on Interstate by Standard Oil?

A. Standard Oil, since they have control of that company and permit me to be the executive officer, I suppose it could be said that I was designated by them.

Q. Can you give the stockholders of Mississippi River Fuel, the largest stockholders, giving the percentages of stock held, approximately?

A. The United Gas Corporation owns approximately 47 per cent; the Standard Oil Company (N. J.) owns 22.5 per cent; the Columbian Carbon Company owns about 17 percent; and the United Carbon Company owns 13 percent; There are some fifty odd individual stockholders who own around three or four thousand shares out of the total capital stock.

Q. Can you name the members of the Board of Directors of Mississippi River Fuel Corporation, and who they represent on the Board?

A. The present Board consists of Mr. Reid L. Carr, representing the Columbian Carbon; Mr. Oscar Nelson, representing the United Carbon; Mr. Stuart Hall and Mr. Paul R. Scott, representing the United Gas Corporation; I represent the Jersey Corporation, the Standard Oil Company (N. J.), and Mr. Dougherty is a member of the board technically not representing any one, I would say.

Mr. Dougherty:

I would say that I represent all the stockholders.

Mr. March:

I think you would state that, but I want this witness to state the facts.

Mr. Dougherty:

Of course when Mr. Lerch uses the word "represent" he means designated by.

The Witness:

Of course the agreement at the beginning of the Mississippi River Fuel Corporation's existence, stated that the stockholders, of whom there were then no individuals, would designate so many directors.

By Mr. March:

Q. Mr. William A. Dougherty here is an employee of the same company you are, isn't he?

A. No, he is an employee of the Standard Oil Company of New Jersey.

Q. Isn't he paid by Gas Companies, Inc.?

A. He is paid by the Standard Oil Company of New Jersey.

Q. Is that controlled by the Standard Oil Company (N. J.)?

A. It is owned 100 per cent by the Standard Oil Company (N. J.).

Mr. Dougherty:

You see I am just good company on the board, that is all.

Mr. March:

Well, you are on the board; I won't concede the other.

By Mr. March:

Q. Is the United Gas Corporation which you spoke of a few minutes ago, which controls Union Producing Company, is that the producing company in the Monroe Field?

A. It is the company that owns and controls the United Gas Pipe Line Company. Now whether they own Union Producing or whether United Gas Pipe Line Company owns Union Producing, I don't know.

Q. You sell gas, I believe, to Memphis Natural Gas Company?

A. We sell it to the United Gas Pipe Line and deliver it at the Memphis station for the use of the Memphis Natural.

Q. You have your contract with Memphis Natural, and deliver it to United?

A. No, our contract is with the United Gas Pipe Line Company who have the original contract with the Memphis Natural, and they partitioned their contract without making a new one, with other producers in the field.

Q. Do you purchase gas from Hope Producing Company?

A. Interstate does, yes.

Q. Is Hope Producing Company affiliated with Interstate?

A. It is owned 100 per cent by the Standard Oil Company (N. J.)

Q. Which is the same company which—

A. (Interposing): Which owns practically 54 percent of Interstate.

Q. Is there any other company in the field which produces and sells gas to you, which is in any way affiliated with Interstate Natural or the companies controlling Interstate Natural?

A. Well, I will have to review the companies from whom we buy gas. The only one that would fall into that category at all would be a circumstance of this kind. We buy gas from the Southern Carbon Company, which is a subsidiary of the Columbian Carbon Company, and the Columbian Carbon Company has now, and has always had, a stock interest in Interstate Natural Gas Company. Otherwise there is no supplier of gas in the field in whom I am sure Standard Oil Company (N. J.) or Interstate, has any interest, to my knowledge.

Q. Either direct or indirect?

A. Yes.

Q. For the record will you complete the stockholders of Interstate Natural?

A. There are 900 odd.

Q. I mean the largest stockholders, I don't mean the small ones, the four or five largest stockholders.

A. I am not Mr. Addison Simms.

Mr. Dougherty:

I think if you get the accounting exhibit of the Commission it has a list in there, Mr. March. I don't think we have that ourselves, but if you could take that accounting exhibit which the Commission will put in, you could read the names off.

By Mr. March:

Q. Read that into the record, then, and I will ask if it is correct to the best of your knowledge and belief?

A. I have here a statement furnished me by Commission counsel entitled "A Corporate and Financial History of Interstate Natural Gas Company, Inc.", which incidentally I understand is to be put in as an exhibit by the Commission. On page 8 of that statement the following tabulation appears under the heading of Stockholders and Holdings. The information is headed, "Stockholder of Record", and the next two columns, "August 31, 1926" and sub-column "Number of Shares"—

Q. (Interposing): Just give the percentages in the last column.

A. Wait a minute. (Continuing) —and "Percentage of Total." The next column is headed "August 16, 1941", sub-column, "Number of Shares", and second sub-column, "Number of Total". There is no particular reason to give the first two columns.

Q. Just the percentages.

A. The number of shares as of August 16, 1941, owned by:

	Shares	%
Standard Oil Company (N. J.)	514,266	53.97
Rockefeller Foundation	33,763	3.54
Rockefeller Institute of Medical Research	40,000	4.20
Columbian Carbon Company	148,957	15.53
Frost Lumber Industries, Inc.	70,000	7.35
American Republic Corporation	42,920	4.50
Other Stockholders (928)	103,407	10.81
The total outstanding stock	952,953	100.00

Q. Is that true and correct to the best of your knowledge and belief?

A. It is.

Q. Now Mr. Lerch, we have mentioned here the Mississippi River Fuel and the Southern Natural. Is there any other means by which Southern Natural is affiliated with Interstate Natural other than through William von Phul?

A. The only thing I am hesitating on is to try to answer the form of the question, and I don't believe I can answer it.

Q. All right, I will restate the question.

A. Make it two questions and I can answer it.

Q. Is William von Phul the only connecting link between Southern Natural and Interstate Natural?

A. He may not, so far as I know, even be a link between the two.

Q. You don't know whether he is a director of both companies or not?

A. That is right.

Q. You really don't know whether he is a director of Southern Natural?

A. No, I really do not know. I have assumed for a long time that he is a director, but of my own knowledge I do not know.

Q. Mr. Lerch, do you know of any affiliation between Interstate Natural and Southern Natural?

A. None, other than the contract between us to sell gas to Southern Natural.

Q. That wouldn't be an affiliation, would it?

A. Well, perhaps I was not paying attention to the word you used. I am sorry. There is no affiliation that I know of between those two, and I believe I am in a position to know that there is no affiliation.

Q. Do you know whether or not there is any affiliation between Standard Oil (N. J.) or Standard Oil of New Jersey, and Southern Natural, or any companies controlling Southern Natural?

A. Let's take the first one first.

Q. All right—Southern Natural and Standard Oil (N. J.) or Standard Oil of New Jersey?

A. There is no such affiliation. I base that statement upon investigations that have been made for various purposes of stockholders' lists of Standard Oil Company of New Jersey, made at our request by the Secretary of that company, and in no instance have they ever reported the ownership of stock by the Southern Natural. That is my information at this moment. It has not been definitely investigated for that very purpose.

Q. Standard Oil tried to find out whether they owned any stock in Southern Natural?

A. No, for other purposes we got the principal stockholders of New Jersey, not for any case of this kind, but for other business that I have in New York, and in that investigation the Southern Natural's name has never appeared as a stockholder of Jersey.

Q. I am talking about Jersey's stockholdings in Southern Natural.

A. Jersey is not a stockholder in Southern Natural at all.

Q. Did you know that Ford, Bacon & Davis was a stockholder in Southern Natural?

A. I knew at the time of the receivership discharge of the then Southern Natural Gas Company, and the formation of the new company, Ford, Bacon & Davis, along with many other contractors and vendors, had, after a great deal of negotiation, secured some stock of Southern Natural, and I heard Mr. Rhodes testify that Ford, Bacon & Davis still owned stock of Southern Natural.

Q. Has there been any property constructed for Interstate Natural which has been constructed by others than Ford, Bacon & Davis or by subcontractors employed by Ford, Bacon & Davis?

A. Oh yes, since the termination of the management contract Interstate has been contracting its work. Its wells of course have always been drilled by other contractors than Ford, Bacon & Davis, and several of its loop lines have been laid since that time by other contractors.

Q. Has most of the work been done by Ford, Bacon & Davis, Inc.?

A. Up to what time do you mean?

Q. Up to and including now.

A. Well, I suppose since—

Q. (Interposing): Exclusive of the original construction of the line by Ford, Bacon & Davis.

A. The main loops that were carried on early in the 1930's were carried on by Ford, Bacon & Davis, and they were still operating under their management and engineering contract. The only loops that have been laid since 1935, I think, have all been laid by contractors other than Ford, Bacon & Davis.

Q. Did Ford, Bacon & Davis construct the Mississippi River Fuel Line?

A. They were contractors for that line and in charge of the subcontractors who did the work.

Q. They enjoyed a similar relationship to Mississippi Fuel, Mississippi River Fuel, as they enjoyed with regard to Interstate Natural?

A. In so far as construction of the property, but not in so far as any management contract was concerned.

Q. Well, has most of the construction work since the original construction of the Mississippi River Fuel line been done by Ford, Bacon & Davis, Inc.?

A. They have done very little except build compressing stations, and they have done those themselves, through their own organization—

Mr. Dougherty (Interposing):

You mean through the Mississippi River Fuel Company itself?

The Witness:

Through the Mississippi Company's organization. And they recently laid a four mile loop in Northern Louisiana and Southern Arkansas which was let through a contractor, I have forgotten the name, but it is not my recollection that it was Ford, Bacon & Davis; it might have been but I am not sure about that. They had to re-lay some lines on account of the construction of a conservancy district in Arkansas, and my recollection is that Ford, Bacon & Davis bid on that and were awarded the job. Otherwise they have done very little work that they haven't done with their own organization.

Q. Do Mississippi River Fuel and Interstate Natural Gas Company operate substantially a single business enterprise so far as physical operations are concerned?

A. No, sir.

Q. In what respect are they not operated as a single enterprise in so far as the physical operations of those two companies are concerned?

A. Mississippi River Fuel owns its metering stations and all property to receive its own gas, compress its own gas, and carry it on up into Arkansas, Missouri and Illinois. It has its contracts with several producers, of which Interstate is only one. It has a vice president and general manager who carries on its affairs entirely in St. Louis, through the St. Louis office, and it has no connection with Interstate other than the arrangement for the dispatching of gas through its line from the producers.

Q. As a matter of fact doesn't Interstate's dispatcher dispatch all the gas for the Mississippi River Fuel?

A. They don't dispatch the gas other than to get it from the producers to Mississippi River Fuel's intakes, and at that point Mississippi's own organization takes it and handles it entirely.

Q. Yes, but your dispatches there, Interstate's dispatcher, I should say, has complete charge of the movement of gas from the wells in the field to the markets of the Mississippi River Fuel, doesn't he?

A. No. They have their own dispatching organization that works entirely out of their St. Louis office and out of Merrimac Station, which is one of the principal points on their main line just south of St. Louis, at which point they control most of their requirements; and they have in the field, in the Monroe Field, their own dispatching office.

Q. What gas they dispatch, though, is dependent upon what gas your dispatcher gives them?

A. No, it depends entirely upon what their St. Louis and Merrimac office asks that office to get from the producers. As a matter of fact you might say that their dispatching arrangement in the field, which came into being when these various pipelines were installed, was done to save confusion in the field itself and among the producers, all of whom had quotas to meet, and there were variations in those quotas due to at least two places where

each one was supplying gas, and it later became three places; and at the time there were earlier contracts there were five places at which gas had to be delivered; and in order that there might be a central point where all this information could be gathered, and so that the producers would all know where they stood in total, this dispatching organization was worked out.

Q. What are the names of the companies which are members of this dispatching pool?

A. The producing groups are Interstate, Hope, the United Gas Pipe Line, Southern Carbon and United Carbon. The pipeline group is Mississippi and Southern Natural. I am leaving the Interstate out of that entirely because the dispatching organization's duty is to dispatch this gas on Interstate all the way through to the sales, but that is not the case in so far as either Southern Natural or Mississippi River Fuel are concerned.

Q. What about Union Producing?

A. Well, the Union Producing we always deal with as United Gas Pipe Line.

Q. Are there any other companies other than Mississippi River Fuel which you run in partnership with United Gas Pipe Line Company?

A. Any other companies, you say?

Q. Yes.

A. No.

Q. Do you and United Gas Pipe Line, do Interstate and United Gas Pipe Line, closely coordinate your operations?

A. To the extent that we work for the United Gas in transportation, and work with them in the service of gas from Southern Louisiana to New Orleans, we do. Our other operations in the field are entirely and completely independent of anyone.

Q. Have you any division of market agreements with United Gas Pipe Line?

A. No.

Q. Have you any agreements with them—

A. (Interposing): Wait a minute. I say no, but we have a transportation agreement which is based upon a rcentage of what they get for the gas in a certain market. I don't know whether you had that in mind.

Q. Do you have any arrangements whereby they stay out of your market and you stay out of their market?

A. No, sir.

Q. Either implied or written?

A. No, sir.

Q. I would like to get a list of the companies which supply Mississippi River Fuel with gas?

A. Well, the Interstate Natural Gas Company-Hope Producing Company, that is one contract; the Southern Carbon Company; the United Gas Pipe Line Company; and the United Carbon Company.

Q. Now Mr. Lerch, who pays your salary as president of Mississippi River Fuel?

A. I am a very unfortunate president; I get no salary.

Q. You just kind of do it—

A. (Interposing): I do it gratis.

Q. What about the case of the Interstate Natural?

A. I am again equally unfortunate; it is an empty honor, I do not get a salary.

Q. You are just a paid employee of Sta dard Oil?

A. No, of Gas Companies, Inc.

Q. Which is a subsidiary of Standard Oil?

A. Indirectly, yes.

Q. Well, let's see how indirectly it is; who are the companies that control Gas Companies, Inc.?

A. Three 100 per cent owned subsidiaries of Standard Oil (N. J.), as I testified before.

Q. Do you serve as president of all of the Standard Oil controlled gas companies?

A. No, sir.

Q. What other gas companies controlled by Standard Oil do you serve as president?

Mr. Dougherty:

May I inquire, when you use the word "control", Mr. March, do you mean the companies in which they own more than 50 per cent of the stock?

Mr. March:

No, I am not talking about that.

Mr. Dougherty:

Then I object to the question unless there is some elucidation as to what is meant by "control".

Mr. March:

I think this witness is capable of saying—control is not limited certainly to the ownership of 51 percent of the stock.

Mr. Dougherty:

If your question is—of what other companies is he president, which the Standard Oil (N. J.) controls, as he interprets "control", I have no objection to the question.

Trial Examiner:

It would be subject to his interpretation.

Mr. March:

I expected that all the time.

The Witness:

I am also President of the Colorado Interstate Company in which Standard (N. J.) has a 42.5 per cent common stock interest, the common stock being the only voting stock in that company.

I am also president of the Hope Producing Company of which Standard Oil (N. J.) owns 100 per cent.

I am also President of the McKamie Gas Cleaning Company in which the Standard Oil (N. J.) owns 50 per cent, plus one share.

I think that is all of the companies in that category.

By Mr. March:

Q. Is it your position, Mr. Lerch, to coordinate the holdings of Standard Oil in these various gas companies?

A. It is my position to work with all of the Standard Oil gas companies and to be of assistance in every way I can in the operation of those companies, particularly in matters of policy, financial matters, and in the general coordination of knowledge, you might say, between the respective managements of the several companies owned by Standard Oil (N. J.).

Q. You are, so to speak, the key man of Standard Oil's gas organization so far as those companies are concerned?

A. I think that is correct.

Q. Now Hope Producing Company—you are president of that company?

A. Yes, sir.

Q. When was Hope Producing Company's sales contract negotiated with Interstate Natural?

A. Sometime around 1931 or 1932, something like that.

Q. Have they entered into any contracts since then, since you have been president of those two companies, relative to or affecting the gas sales contract by Hope Producing Company to Interstate Natural?

A. I will say no from my recollection; I don't recall any such case.

Q. Was there any affiliation between Hope Producing Company and Interstate Natural when the original sales contract was entered into in 1931?

A. None except the one that exists at the present time, that of stock ownership by the Standard Oil (N. J.).

Q. Except that they were controlled by the same company?

A. That is right.

Q. Do you have an outside service organization in your operation of the Mississippi River Fuel?

A. No.

Q. Does Gas Companies, Inc. have anything to do, either directly or indirectly, either in an advisory capacity or otherwise, with regard to the operation of Mississippi River Fuel Corporation?

A. Yes.

Q. Will you explain that please?

A. Well, as the president and executive officer of Mississippi River Fuel, and because an employee of Gas Companies, Inc. is also treasurer and another one assistant secretary, and the fact that the main control ledgers or books of the Mississippi River Fuel Company are kept in our New York office, that is the office of Gas Companies, Inc., we do look after the services, financial, budget and such kindred matters, of Mississippi River Fuel, through Gas Companies, Inc.

Q. In substantially the same manner that Gas Companies, Inc. operates in regard to Interstate Natural, the relationship is just the same between the Mississippi River Fuel and Interstate Natural?

A. Yes, and all the other companies—

Q. (Interposing): And Gas Companies, Inc.?

A. And Gas Companies, Inc., yes.

Q. Who is president of Gas Companies, Inc.?

A. I am.

Mr. Dougherty:

He gets paid for that, Mr. March.

By Mr. March:

Q. Do you get paid for that?

A. Yes, I do get paid for that.

Trial Examiner:

We will take a recess for five minutes.

(Whereupon a five minute recess was taken, after which the hearing was resumed.)

By Mr. March:

Q. Mr. Lerch, I want to ask you a question or two about your Exhibit No. 3, and also Exhibit No. 6.

On Exhibit No. 6, I refer you to line F-33. Is F-33 a transmission line?

A. No, sir.

Q. Did you testify in Federal Power Commission Docket No. G-146 in regard to Interstate Natural Gas Company's proceedings.

A. I did testify in such proceedings. I will accept your statement as to the number.

Q. I have here an official transcript of the record in those proceedings, dated January 24, 1940, at page 93, where your testimony appears, and I would like you to read your answer on page 93 into the record?

A. Which answer do you mean?

Q. Beginning at the bottom of the page. You might read the question and the answer into the record.

A. I would like to read it myself first.

Q. All right, you can study it.

A. I don't want to study it.

The question that Commission counsel asks me to read from this previous record is:

"Q. You mean, then, that all of the wells shown on Sheets 9, 10, 7, and 8, feed into these lines F-3 and F-115?

"A. No, not all of them. Some of that gas goes into the line marked F-33 extension which connects there at Perryville with T-9, that is north and east of the lines you are speaking about. That is where we marked the X yesterday. Now some gas goes into that line, which

is a transmission line and not a field line, not a gathering line. F-33 extension was originally laid as a gathering line, but it has become, through its direct connection into T-9, a transmission line and carries gas, rather it has become a loop of our main line system and some of the gas, as much as 40 million feet a day, will go down through that line directly into our main line transmission."

Q. Now on the previous day at page 59 of the transcript, will you read Mr. Lange's question to you and the answer?

A. This is the same hearing docket?

Q. G-146.

A. (Reading): "Mr. Lange (Interposing): Mr. Examiner, I think in order that there may be no confusion, that an X-1 mark be placed at the point on Section 30 the witness had reference to.

"The Witness: I think if you just make it in Section 30, Township 21 North, Range 4 East, then you will have it fixed for all time."

Q. Now, Mr. Lerch, will you locate on your Exhibit No. 6 the point on F-33 designated as Section 30, Township 21 North, Range 4 East?

A. Yes, I find it.

Q. Will you describe that specifically in regard to F-33, that point?

A. That is the point at which F-33 extension begins.

Q. Joins with what?

A. It joins a line running generally east and west, known as F-103, and runs from that point parallel to Line F-108 for some distance southeast.

Q. Well, that is not Section 30, is it?

A. This is Section 30. (Indicating.)

Q. Did you describe that?

A. I just described this junction point.

Q. All right, sir.

Mr. March:

That is all.

Trial Examiner:

Is there any re-direct examination?

Re-Direct Examination.

By Mr. Dougherty:

Q. Mr. Lerch, you referred to a line F-33 extension. Where does that F-33 extension join in with what might be shown on the map as F-33?

A. Well, it joins in with F-33 somewhere in the southeast corner of Section 15, Township 20 North, Range 4 East.

Q. And from that last point which you have just designated in Section 15, up to the point you previously mentioned in Section 30, that particular line is shown on this map, Exhibit 6, as F-33 extension?

A. That is correct.

Q. Mr. Lerch, a question has been asked you with respect to the contract which Interstate Natural Gas Company has with Southern Natural Gas Corporation. Referring now to the amendment to that contract which you said was completed about a year ago, do you recall the negotiations which led up to the execution of that present contract?

A. I do, yes.

Q. With whom did you carry on those negotiations?

A. I carried them on with Mr. McHenry, who was Vice President of Southern Natural, and with their attorney, Mr. Pearson, of a New York law firm representing Southern Natural; and also with Mr. Chris Chenery, who is President of the principal stockholder, I understand, of Southern Natural.

Q. Is that a company known as Federal Water Service?

A. Yes.

Q. And how long a period of time did those negotiations take?

A. As I think back, they seem like an awful long time. I would say a couple of years, perhaps.

Q. What was the occasion for these negotiations which culminated in this new contract or the amendment of the old?

A. The real occasion was to enable Southern Natural to increase the reserves of natural gas back of its pipe line by permitting it to go elsewhere than the Monroe Field for 25 percent of its requirements.

Q. Previous to the execution of the present contract, what percentage of requirements was the Southern Natural Company getting from the producers in the Monroe Field?

A. One hundred percent.

Q. And what were those producers?

A. Interstate Natural Gas Company; Hope Production Company; United Carbon Company; Southern Carbon Company, and United Gas Pipe Line Company.

Q. Did Mr. von Phul take any part in the negotiation of this new contract?

A. None whatever.

Q. Were there many points of difference that existed between the Southern Natural representatives and yourself during the period of negotiations with respect to terms and provisions of this new agreement?

A. A great many.

Q. Would you say that these negotiations that were carried on could be characterized by the term, "arms-length"?

A. They were entirely arm's-length, as I understand that term.

Q. Well, after the form of that contract and the terms and provisions were agreed upon between you and the representatives of Southern Natural, was that contract presented by you to the Board of Directors of Interstate Natural Gas Company?

A. It was, yes.

Q. And how many Directors are there of that company?

A. Six.

Q. Who are they, or who were they at that time?

A. They were Mr. Carr, Mr. Nelson—

Q. (Interposing): Of Interstate Natural Gas Company.

A. Oh. They were Mr. Carr, Mr. Durbin, Mr. von Phul, Mr. Du Vall, Mr. William A. Dougherty, Mr. E. A. Frost, and myself.

Q. Is that contract the one that is filed with the Federal Power Commission, and is the effective schedule under which natural gas is sold by Interstate Natural Gas Company to Southern Natural Gas Corporation today?

A. It is.

Q. Mr. March asked you a question with respect to what natural gas companies are controlled by the Standard Oil Company, of which you are President. Will you explain what your understanding was or is of that term as used in connection with your answer? Your answer, as I recall it, was that you were President of Colorado Interstate Gas Company, in which company Standard Oil Company owned 42-½ percent of the common stock—

A. (Interposing): My answer was made to put in the record in response to the question as to the fact that I was President of that company, and I stated the stock interest to show that it was not actually a controlled company by Standard Oil (New Jersey) in the sense that it does not now and never did control a majority of the stock of the company.

Q. What gas companies are you President of in which the Standard Oil Company owns more than 50 percent of the voting stock?

A. Interstate Natural Gas Company and Hope Producing Company and the McKamie Gas Cleaning Company.

Mr. Dougherty:

That is all I have.

Mr. March:

I have a question here.

Cross Examination (Resumed).

By Mr. March:

Q. I want to know if von Phul voted at the stockholders meeting which approved the contract, the recent contract between Southern Natural and Interstate Natural?

A. You don't mean to ask me that.

The Witness:

Read that question, because I don't think Mr. March means what he says. I am sorry, I am not putting words in your mouth, but I don't think you meant that question.

(The question was read by the reporter.)

By Mr. March:

Q. I mean Board of Directors meeting, I thank you.

A. I can't answer unless I could find out whether he was present at that meeting.

Q. Will you check on that, please?

A. Yes, sir.

Mr. Dougherty:

May I inquire which meeting that was?

The Witness:

The meeting at which the amended contract with the Southern Natural was considered by the Board of Directors.

By Mr. March:

Q. Do you think it is necessary to have 51 percent of the stock of a company before you can control it?

A. You mean—

Q. (Interposing): Any company.

A. I mean as an individual or another company having control of it?

Q. I mean is it necessary always to have 51 percent of the stock of a company before you can control that company?

A. The answer to your question has to be yes, because you can't control a company unless you have a majority of the stock, if that is the charter or the by-laws of the company. As a practical matter, at a stockholders meeting you don't always have 100 percent of the stockholders present. Therefore, if there is a quorum of the stock, a majority of those present can control the meeting, if that is provided for in the by-laws. So your question is purely, I think, academic.

Q. Who votes the stock at the stockholders meetings of Mississippi River Fuel?

A. Well, the Jersey stock, the Standard Oil (New Jersey) stock, is usually voted by proxy, which is given in the name of myself, Mr. Dougherty and Mr. DuVall, usually.

Q. Mr. DuVall also serves as a Director of Mississippi River Fuel?

A. Not always, he has been a Director.

Q. He is an officer, is he not?

A. He is an Assistant Secretary.

The United Gas Corporation always sends the Treasurer of that company with power of attorney to vote their stock.

The Columbian Carbon Company has both sent proxies and has also sent an officer with power of attorney. The same thing is true of United Carbon. They sometimes don't even send a proxy, I have known that to happen. They have sent their Treasurer or some officer of the company to vote their stock, and at other times they have selected—I am recollecting again—I think they selected me as a proxy at one time for their stock.

Q. Who did that?

A. United Carbon.

Q. United Carbon selected you as a proxy?

A. Once I think they did. That would be a matter of record, I am only recalling.

Q. Is there any informal understanding between Standard Oil and United Corporation that the management of the company will be vested in the hands of Standard Oil through you?

A. Of which company?

Q. Of the Mississippi River Fuel Corporation.

A. There is no understanding, informal or formal. The management rests with Gas Companies, Inc., or with me, because the Board of Directors continue to choose to do that. Originally when the company was first formed, there was a company formed known as Mississippi River Engineers, which was formed for the purpose of providing management for Mississippi, most of which men came from the payrolls of other Standard Oil companies, and from that time on, the management by some representative of the Standard Oil (New Jersey) grew up and has continued, but it can be changed at any time the Directors choose to change it, or the stockholders choose to change it.

Q. So much for that, Mr. Lerch.

I have here before me Appendix 2 to Exhibit 6407, a report on the examination of the accounts and records of the Mississippi River Fuel Company, a Federal Trade Commission report, Senate Document 92, Part 82, at page 847. There is a stipulation there dated June 6, 1928, and supplements dated December 17, 1928. Will you explain that syndicate arrangement there?

A. Well, I don't know what I can explain other than the stipulation provides, which appears to be the plan whereby the—

Q. (Interposing): We will strike that. Are you familiar with the stipulation?

A. I have seen it before.

Q. You may continue, then.

A. The stipulation provides for the parties referred to therein to finance, or rather to project a pipe line and do whatever is necessary to finance it, supply it with gas, for the purpose of supplying the market in and around St. Louis, Missouri, with natural gas. The stipulation sets forth the financing participation, the participation apparently in the ownership of the line, or the investment, and the percentages covering the manner in which the gas itself was to be furnished to meet the requirements of the line.

Q. Are the United Gas Pipe Line Company and United Gas Corporation parties to that agreement?

A. They do not appear as a party to that agreement, no, sir.

Q. The Standard Oil, I believe, is a party to that agreement, isn't it?

A. Standard Oil Company is a signed party to the agreement, yes, sir.

Q. Is that agreement still effective?

A. I would say no, it is not effective.

By Mr. March:

Q. There is one other thing that Mr. Lange directs my attention to that I didn't drive home a few minutes ago, I went all around the point and didn't hit it.

In regard to this contract that we are discussing, Appendix 2 of Trade Commission Reports, page 847, dated June 26, 1928, you testified that United Gas Corporation was not a party to that contract?

A. That is right.

Q. Were the predecessor companies of United Gas Corporation a party to that contract?

A. Well, again, I think I will have to say no, Mr. March. Some of the companies on there are now in the United Gas System.

Q. Which companies are they?

A. Well, I think the Palmer Corporation is part of the United Gas System; Moody, Seagraves; and so far as I know the Electric Power & Light Corporation never owned any physical property, so I would have to say the other two properties were the only two, the only companies on there who owned properties, who are now part of the United Gas System.

Q. Who are the successors in that contractual arrangement for delivery of gas to St. Louis, to the Moody, Seagraves Company and the Palmer Corporation?

A. United Gas Pipe Line Company.

Q. United Gas Pipe Line Company?

A. Yes.

Q. And that contract was modified by those successors and by subsequent agreements, and is still in operation?

A. Yes, that contract is still in operation.

Q. Then that is another arrangement wherein Standard Oil Company and United Gas Pipe Line Company are engaged in a common enterprise, isn't it?

A. That is the same one you asked me about, isn't it, Mississippi River Fuel? You asked me if there was any other besides Mississippi River Fuel?

Q. This is in regard to the sale of gas by Mississippi River Fuel?

A. No, this is the sale of gas to Mississippi River Fuel.

That is exactly the same question you asked me.

Q. Is that the first agreement—

A. (Interposing): That is the project that has resulted in the Mississippi that we have been talking about ever since.

Q. That started the whole thing?

A. Yes.

The Witness:

I think, Mr. Examiner, if I may extend the answer, the Electric Power & Light, who signed that contract, while they owned no properties as such, provided that any of their subsidiaries should also go over to United Gas Corporation, and I can't tell you just what their names were, but that was my understanding of what happened to that signatory of that project.

By Mr. March:

Q. And it is your understanding that Electric Power & Light Corporation controls United Gas Pipe Line Company?

A. Well, they control the United Gas Corporation, which in turn owns the United Gas Pipe Line Corporation.

Mr. Lange:

They are all Bond and Share companies?

The Witness:

Electric Power & Light is known in the utility business as a Bond and Share Company, I can't answer you as to all of the others.

By Mr. March:

Q. Is Memphis Natural known as a Bond and Share company?

A. No, it is not.

Mr. March:

That is all.

Mr. Dougherty:

No questions.

Trial Examiner:

That is all, Mr. Lerch.

(Witness excused.)

Mr. Dougherty:

I would like to take up the exhibits concerning which Mr. Lerch has testified. Those were Exhibits 3, 4, 5, 6 and 7. I had offered them at the time, and ruling was deferred until cross examination had been completed.

Trial Examiner:

Is there any objection?

Mr. March:

We have no objection to them going in now, of course with the understanding that we may want to ask Mr. Lerch a few more questions with regard to one of the exhibits.

Trial Examiner:
I presume he will be available?

Mr. Dougherty:
Oh, yes, he will be available for whatever questioning is desired.

Trial Examiner:
Do counsel for the other parties have any objection to these exhibits?

Mr. Kizer:
No objection.

Mr. Knight:
No objection.

Trial Examiner:
Exhibits 3 to 7, inclusive, are admitted in evidence.

(Exhibits Nos. 3 to 7, both inclusive, were received in evidence.)

Mr. Dougherty:
May I inquire from the Examiner whether or not the various Federal Power Commission rate schedules which we offered, were those admitted in evidence?

Trial Examiner:
No, sir, they were not, ruling was reserved pending a check on those documents.

Mr. Dougherty:
I think, then, that I have suggested taking up all of the exhibits that might now be taken up for ruling, is that not correct? I don't think there are any other exhibits

pending there that we are ready to take up for admission at the present time?

Trial Examiner:

I believe that is right.

I don't believe there has been any ruling on Mr. Blanks' exhibits.

Mr. Dougherty:

I thought they went in this morning.

Mr. March:

No, they didn't go in. I want to make a most strenuous objection to Exhibit 42.

Mr. Dougherty:

I want to now offer—I already have offered them but I would like to take up for admission—

Trial Examiner (Interposing):

Exhibits 42 to 45, inclusive?

Mr. Dougherty:

That is right.

Mr. March:

If it please the Examiner, we have a most strenuous objection to offer to Exhibit No. 42. As shown by the record here, this exhibit was prepared by a lawyer, principally in New York City, and apparently was put into this record by remote control through Mr. Blanks.

We oppose the exhibit because it is incompetent in this record, and it was not prepared by the witness who supported it, and for that reason we wish to register a strenuous opposition to that exhibit.

And there are certain conclusions reached in there which the Examiner can see by an examination of Ex-

hibit 42-A, all of which were written in New York City by Mr. Cooper, this lawyer, and are nothing more or less than a legal argument and add nothing to this record, but confuse the record—it is highly improper and it wouldn't mean any more than if I sat down and wrote an exhibit for Mr. White, to go into evidence here, and all the time in the back of my mind the objective that I wanted to reach through him was on all fours with that situation; and if we permit to go into evidence material like that, these hearings will revert into nothing more or less than legal briefs filed by lawyers, submitted through persons who had little if anything to do with the preparation of the statements.

Trial Examiner:

Well, as I understand it, your objection is directed not merely to these conclusions, but to the whole exhibit?

Mr. March:

That is right, Exhibit 42 in its entirety. The conclusions are only secondary, as far as I am concerned.

Trial Examiner:

Well, I think there should be a very definite distinction made between the two. If you are objecting to certain conclusions at which the witness arrives, they might very clearly be improper and might be stricken from the document.

Mr. March:

I move that they be stricken from the document, and if the Examiner admits Exhibit No. 42, I shall again move to strike from this exhibit all reference to these conclusions contained in the exhibit in regard to gathering lines.

Trial Examiner:

Your motion so far has been directed to the one word "gathering" as used in the document, as I understand it?

Mr. March:

That is the conclusion that I have in mind, that is a legal conclusion which was written into that exhibit, the Examiner can see by an examination of Exhibit 42-A, by Mr. Cooper here.

Trial Examiner:

Those are the conclusions to which you are now referring?

Mr. March:

Yes. But my principal objection is directed to this method of the preparation of this exhibit, the fact that it was prepared by the lawyer, that it was submitted by a witness; that he merely offered the thing, the material which the lawyer had prepared, and all the time there was this emphasis upon this conclusion here. I wouldn't have any objection to this exhibit if he had merely related facts as to the operations. But no, it goes out of its way, there is a refrain all the way through it, there is a verse that is sung in every paragraph, "gathering, gathering lines". It is a conclusion, it is improper to put it in the record in this way, we feel. For that reason we are opposing the entire exhibit.

Trial Examiner:

The objection is overruled.

Mr. March:

We move to strike, then, from the exhibit any reference to "gathering".

Trial Examiner:
Motion denied.

Mr. March:
I then wish to offer in evidence, merely for the purpose of impeachment of the exhibit, Exhibit 42-A.

Trial Examiner:
Is there any objection to Exhibit 42-A?

Mr. Dougherty:
Not on my part.

Trial Examiner:
Exhibits 42 and 42-A are admitted in evidence.

(Exhibits Nos. 42 and 42-A were received in evidence.)

Trial Examiner:
Is there any objection to Exhibits 43 to 45, inclusive?

Mr. March:
No objection.

Trial Examiner:
Exhibits 43 to 45, inclusive, are admitted in evidence.

(Exhibits 43 to 45, both inclusive, were received in evidence.)

Trial Examiner:
Mr. Wilenzick?

Whereupon, BERNIE WILENZICK, recalled as a witness, having been previously sworn, resumed the stand.

Trial Examiner:
Counsel for the Federal Power Commission may cross examine the witness.

Mr. Lange:
Could we have a few minutes recess?

Trial Examiner:
Yes. We will take a recess of five minutes.

(Whereupon, a five-minute recess was taken.)

Trial Examiner:
Proceed.

Mr. March:
No cross examination of this witness.

Trial Examiner:
Does counsel for the Louisiana State Commission have any questions?

Mr. Knight:
No questions.

Trial Examiner:
The City of New Orleans?

Mr. Coleman:
No.

Trial Examiner:
The City of Baton Rouge?

Mr. Kizer:
No questions.

Mr. Dougherty:
May we take up for admission these exhibits at this time, then?

Trial Examiner:
Exhibits 38 to 41, inclusive?

Mr. Dougherty:
That is right.

Trial Examiner:
Is there any objection to these exhibits?

Mr. March:
No objection.

Trial Examiner:
Exhibits 38 to 41, inclusive, are admitted in evidence.

(Exhibits Nos. 38 to 41, both inclusive, were received in evidence.)

Trial Examiner:
Call your next witness.

Mr. Dougherty:
That completes all of the direct testimony we have on these points, and as I say, the accounting testimony that we have and other testimony respecting allocations of cost, and so forth, will of necessity have to follow the exhibits of the Federal Power Commission.

Trial Examiner:

I assume that the State Commission has no additional evidence to offer at this time, is that correct?

Mr. Martin:

That is correct, Mr. Examiner. We couldn't make an investigation, we couldn't get the books and the records, and for that reason we have no evidence to offer. We are depending, of course, on the Power Commission to do the investigating in view of the fact that we were enjoined by the Federal Court from investigating the Company.

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Whereupon, PAUL C. WHITE, called as a witness on behalf of the Federal Power Commisssion, having been first duly sworn, was examined and testified as follows:

Direct Examination.

By Mr. Lange:

Q. Please state your name?

A. Paul C. White.

Q. Where are you presently employed, Mr. White?

A. With the Federal Power Commission.

Q. And where do you reside?

A. 2514—14th Street, Washington.

Q. Washington, D. C.?

A. That is correct.

Q. What is your occupation or profession?

A. Gas engineer.

Q. How long have you been employed by the Federal Power Commission in that capacity?

A. Three years and a half.

Q. And prior to that time have you engaged in that particular profession or occupation?

A. That is correct.

Q. Have you prepared a statement setting forth your qualifications and your experience in connection with that character of work?

A. Yes, sir.

Mr. Lange:

Mr. Examiner, I suggest that that be incorporated in the transcript, that it be copied into the transcript or the witness may read it, whichever the Examiner desires.

Trial Examiner:

Have counsel had an opportunity to look over this document?

Mr. Lange:

Yes.

Mr. Dougherty:

Yes, we have. We have no objection to it, Mr. Examiner.

Trial Examiner:

The reporter will be directed to incorporate the statement into the record as if read.

(The statement is as follows):

Experience: Jan. 1939 to present—Federal Power Commission.

In January 1939, I was employed by the Federal Power Commission. The title of my present position is Rate Investigator. During my employment by the Commission, my duties have included the following engineering

phases of regulatory procedure in connection with natural gas utility companies:

(1) Estimating natural gas reserves and their deliverability in fields in New York, Michigan, Pennsylvania, West Virginia, Ohio, Kentucky, Arkansas, Louisiana, Oklahoma, and Texas.

(2) Analyses and classification of natural gas mineral interests.

(3) Analyses of natural gas production and cost of production.

(4) Preparation of gas system balances.

(5) Preparation of studies to reflect deliveries of gas on system coincidental maximum demand day, and customer maximum demand day.

(6) Analyses of operating records of gas compressor stations.

(7) Preparation of abstracts of contracts for purchase and sale of natural gas.

(8) Preparation of depletion and depreciation plans.

(9) Field inspections of physical property for determination of use and usefulness in public service, and for determination of service lives.

(10) Determination of service capacity, and service lives of physical property.

(11) In 1939, I was assigned the duty of assisting and advising the State of Arkansas Department of Public Utilities in the matter of their Docket No. 4, Arkansas-Louisiana Gas Company. During this assignment, I assisted in the study of gas reserves and estimated the deliverability of these reserves which are located in seventeen fields in Arkansas, Louisiana, and Texas. On this assignment, I advised and assisted in classifying natural gas mineral interests for the purpose of determining the cost thereof.

(12) Many problems relative to gas reserves, deliverability of gas reserves, cost and adequacy of physical plant, and analyses of market surveys have been assigned to me since my employment by the Commission in connection with application for Certificates of Convenience and Necessity, such as:

Docket G-165, Tennessee Gas and Transmission Co.

Docket G-180, Reserve Gas Pipe Line Co.

Docket G-213, Gas Transport, Inc., etc.

May 1933 to Jan. 1939—State of Arkansas Department of Public Utilities.

While Senior Gas Engineer for the Arkansas Department of Public Utilities, I assisted in the normal operation of the Commission in connection with natural gas, manufactured gas, electric, telephone, and water utility company investigations. During my employment by the Commission, I participated in the following types of work:

(1) Field inventory and appraisal of natural gas company production, transmission and distribution plants; a

manufactured gas plant and distribution plant; electrical power plants, transmission systems, distribution systems and whiteway systems; water plants and water distribution systems; and telephone exchanges.

(2) Field inspection of all of the above types of utility property for the purpose of determining depreciation.

(3) Determination of cost of service.

(4) Estimates of natural gas reserves and their deliverability.

(5) Analyses of operations of utility companies.

(6) Analyses of natural gas mineral interests.

(7) Checking inventories and appraisals filed with the Commission by utility companies.

(8) Investigating complaints against utility companies.

Dec. 1932 to May 1933—Private Practice—Texarkana, Texas.

While in private practice, I made gas-oil ratio tests, royalty reports, pipe line locations, well locations, lease block and subsurface maps in the East Texas Oil Field.

Oct. 1931-Oct. 1932—Donathan-White Engineering Co., Henderson, Texas.

As manager and half-owner of this firm, my work consisted of making gas-oil ratio tests for various oil companies in the East Texas Oil Field. More than one thousand tests were made under order of the Texas Railroad Commission and ten 100-hour tests were made un-

der Federal Court order. In addition to these gas-oil ratio tests, our office conducted a general oil-field engineering practice which included well location and lease surveys, royalty reports, subsurface maps, etc. in the East Texas Oil Field.

Nov. 1930 to Oct. 1931—Eby Engineering Co., Henderson, Texas.

As Office and Field Engineer for this firm, I supervised all office and field work on all types of oil field engineering including making pipe line surveys, well locations, earthen tanks, setting steel tanks, refinery locations, subsurface mapping, etc.

May 1930 to Nov. 1930—Root Refining Co.—Geological Dept., El Dorado, Ark.

As Oil and Gas Scout and Assistant in the Geological Department, it was my duty to scout south Arkansas and north Louisiana, correlate well logs, prepare subsurface maps of north Louisiana and south Arkansas, make drawings of refinery, check geological reports, etc.

Apr. 1929 to May 1930—Vacarro Bros. and Subsidiaries, Spanish Honduras, Nicaragua, C. A., and New Orleans, La.

I was employed as Irrigation and Reconnaissance Engineer for the purpose of making topographic maps for irrigation and drainage projects, reconnaissance surveys of rivers and valleys in the interior, soil analyses for acidity, core drilling with homemade rig for locating sheet piling dams for temporary water supply and erosion surveys along rivers.

Jan. 1929 to Apr. 1929—Pure Oil Co., Geological Dept., Tulsa, Okla.

As Assistant in the Geological Department, I prepared base maps, drafted generalized time scale of the Paleozoic, Mesozoic, and Cenozoic Ages for seven states, made well log correlation, subsurface contouring, computed crooked hole tests, etc.

Sept. 1927 to Sept. 1928—Pure Oil Co., Geological Dept., El Dorado, Ark.

As assistant in the Geological Department, I scouted south Arkansas and north Louisiana, caught samples on drilling wells, correlated well logs, prepared subsurface maps, trained geological stenographic staff, etc.

March 1924 to Sept. 1927, City of El Dorado, Ark., Engineering Dept.

I was employed as Rodman, advanced to Instrumentman in two years and was Assistant City Engineer during my last year, performing work of general municipal engineering, including construction and inspection of street paving, sidewalks, and sewers, making surveys, establishing grades, etc.

By Mr. Lange:

Q. Mr. White, in connection with your employment with the Federal Power Commission, were you assigned to any work pertaining to the general investigation of Interstate Natural Gas Company, Incorporated, in Docket G-149?

A. Yes, in October, 1939.

Q. October, 1939?

A. That is correct.

Q. Did you proceed to carry out the work assigned to you on that Docket?

A. Yes, in the offices of the Interstate Natural Gas Company at Monroe, Louisiana.

Q. And approximately what period of time did you devote to that work at those offices?

A. A portion of 1940 and a portion of 1941.

Q. Did you have occasion to examine the Company's properties, its books and records, and any other items of equipment or properties pertaining to your work on this investigation?

A. That is correct, I made a complete inspection.

Q. A complete inspection of the Company's properties?

A. Of the physical properties, yes.

Q. After you had completed that work and had finished at the Company's plant in Louisiana, did you compile the information that you had so gathered?

A. Yes, sir.

Q. Did you then prepare any exhibit reflecting those facts?

A. Yes, that is true.

Q. I will ask you whether this is the exhibit you then prepared?

A. Yes, sir.

Mr. Lange:

I would like to have this marked for identification, Mr. Examiner.

Trial Examiner:

It may be so marked.

(The document referred to was marked as Exhibit No. 49 for identification.)

By Mr. Lange:

Q. Mr. White, this exhibit that has been identified as No. 49, entitled, "Properties and Operations of the Interstate Natural Gas Co., Inc.", that is the exhibit prepared by you?

A. Yes, sir that is correct.

Q. Will you briefly state the nature of the exhibit and what it presents?

A. The exhibit covers the properties and operations of the Interstate Natural Gas Company, with maps showing those physical properties; flow diagrams graphically showing the flow of gas in the system; the gas balance, showing gas received and gas delivered; and the demands

met by the system on the coincidental maximum demand days.

Q. Turn to page 5 of that exhibit. There is a map appearing at that place. What does that represent?

A. That map shows the outline of the Monroe Gas Field and all the wells in the Monroe Gas Field in yellow; in pink are shown the mineral interests of the Interstate Company, and in black are shown the locations of the wells and field lines of the Interstate Natural Gas Company.

There is also shown the main transmission lines, T-9 and T-1, in so far as the map will permit.

Q. Now turn to page 14 of the exhibit. That presents another map. What does it set forth?

A. This map shows the base of the townships of portions of Louisiana and Mississippi in yellow; and superimposed upon this map, in black, is the main transmission line of the Interstate Company from the Monroe Field to Baton Rouge, Louisiana, and the main transmission line of the United Gas Pipe Line Company between Baton Rouge and New Orleans, Louisiana, and the jointly-owned pipe lines commonly known as the Lirette System and LaFitte System, near New Orleans.

There is also shown in black on this map the outline of the Monroe Gas Field with schematic location of other natural gas pipe lines which leave the field or enter the field.

Along the main line of the Interstate Company there are numbers which designate points of metering that are deliveries from the main line. In the upper right-hand corner of this map is a tabulation showing the name of the customer or the type of delivery at each of these designated points.

Q. I notice, Mr. White, that in the lower right-hand corner there are several gas fields indicated.

A. Yes, those are connected to the Lirette System.

There is the Raceland Field, Lake Long Field, Lirette Field and Du Large Field. There is only one field connected to the La Fitte System. There are also 3 other fields from which the Interstate Company takes gas between Baton Rouge and New Orleans, Louisiana, which are shown on the map,—the University Field, La Pice Field, and La Place Field. The Interstate Company owns the pipe lines connecting these fields to the main transmission pipe line of the United Gas Pipe Line Company between Baton Rouge and New Orleans, Louisiana.

Q. I note from the map that the main transmission pipe line of Interstate that proceeds from the Monroe Gas Field to Baton Rouge, Louisiana, is looped the greater portion of the way. Approximately what distance is there of the line that is not looped—

Mr. Kizer:

(Interposing.) Mr. Examiner, Mr. Jones is here now. He has come in since this witness started, and I thought perhaps it might be the wish of the Examiner and the attorneys that we take Mr. Jones' testimony now before we get too far into this witness' testimony, and we will be through with that.

Mr. Lange:

I would suggest this, Mr. Examiner. We can complete Mr. White's direct at least on this exhibit to get that definitely in the record without any portions of other testimony coming in between it, and then if it is agreeable with the Examiner there is no objection on our part to placing Mr. Jones on the stand.

Mr. Kizer:

That is agreeable to me.

Trial Examiner:

I think it would be better to complete Mr. White's direct testimony before putting on Mr. Jones.

The Witness:

Will you read Mr. Lange's last question?

(The pending question was read by the reporter.)

The Witness:

In the State of Mississippi at a point approximately 30 miles south of Natchez, Mississippi, the looping stops, and begins again about 10 miles north of the Mississippi-Louisiana State line. All of this looping on the balance of the system is 20 and 22 inch diameter pipe, with the exception of what might be termed a loop line extending from the Perryville Compressor Station at Perryville in the Monroe Gas Field, which is designated as Perryville on the map, and which ends at Alto, Louisiana. This looping is 16 inch pipe. I note on the map that the size shown is 18 inch. I believe that is an error.

By Mr. Lange:

Q. Which is that, Mr. White, so we can correct it?

A. On the map is shown a pipe line extending from Perryville in the Monroe Gas Field and running approximately 18 miles to where that line appears to cross the 22-inch main transmission line, and that is the portion which is 16-inch instead of 18-inch. It is a drafting error.

Mr. Lange:

May we make that correction on the map itself, Mr. Examiner?

Trial Examiner:

Yes, and also on the official copy that has been marked for identification.

(The corrections referred to were made.)

The Witness:

I might say that on the map on page 5, which we referred to a few minutes ago, it shows that line as T-9, a 16-inch line.

Mr. Dougherty:

Mr. Lange, in connection with that looping, it so happens that Mr. White's exhibit, on page 16, uses 40 miles as the miles in the State of Mississippi, and I think that is an error and that instead of 40 miles being unlooped our records indicate that it is 21 miles. I thought this might be an appropriate place to mention it since we were talking about loop lines.

Mr. Lange:

Do you see that place in the first paragraph on page 16, Mr. White?

The Witness:

Yes, I have corrected my copy.

Trial Examiner:

That should be 21, then?

Mr. Lange:

What is the correct mileage?

The Witness:

It appears to be approximately 21 miles on the map.

Mr. Lange:
Approximately 21 miles?

The Witness:
Yes.

Trial Examiner:
That correction should be made, then, on page 16 of Exhibit 49.

(The correction referred to was made.)

Mr. Dougherty:
While we are on page 16, in that next paragraph where the year 1934 is given as the date when T-9 was purchased, that should be 1936.

Mr. Lange:
The first line in the second paragraph on page 16?

Mr. Dougherty:
That is right.

Trial Examiner:
1934 should be 1936?

Mr. Dougherty:
Yes, sir.

By Mr. Lange:
Q. Now turning back to the map on page 5, and relating it to the map on page 14, the map on page 5 shows in the lower right-hand corner two main transmission lines, or rather two lines that are indicated as T-9, 16-inch, and T-1, 22-inch, to Baton Rouge, Louisiana?
A. That is correct.

Q. Will you state where those two lines connect with the beginning portion of the main transmission line shown on page 14?

A. At Alto, Louisiana; as I stated a few minutes ago, the lines are connected there.

Q. Now turning to the map on page 14, the southern terminus of the lines of Interstate Natural Gas Company is at Baton Rouge, Louisiana, isn't it?

A. That is correct, of the main transmission line.

Q. Yes.

Now the lines extending to the right and towards the bottom of the page, the lines that are checked, whose pipe lines are those, what company owns and operates those?

A. The United Gas Pipe Line Company.

Q. That pipe line is looped practically the entire distance from Baton Rouge to New Orleans, isn't it?

A. Yes, I would say approximately 85 to 90 percent looped.

Trial Examiner:

Alto, Louisiana, is the point where T-9 appears to cross T-1?

The Witness:

That is correct.

By Mr. Lange:

Q. Where is that point on page 14 with reference to the mark 208-S?

A. That is the point, or as close as it could be placed on the map.

Q. Turning to page 24 of the exhibit, will you please state what the diagram there represents?

A. This is a diagram showing the flow of gas based on the amount of gas delivered by the Interstate Natural

Gas Company during the calendar year 1941. The direction or geographical location of the center of this flow diagram is approximately correct, although schematic, and the width of the flow diagram indicates the volume of gas delivered at each point designated. The benday pattern on the map shows that portion of the flow diagram which represents property owned by the Interstate Company and is a small dot pattern, and the portion of the flow diagram which is hatched is the United Gas Pipe Line Company portion of the deliveries. In the diagonal pattern is shown that portion of the system which is jointly operated by the Interstate Company and the United Company.

On the right-hand side there are numbers which correspond to the numbers on the flow diagram, and opposite each number is the name of the customer and the volume of gas delivered during the calendar year 1941. The diagram is based upon gas delivered and not upon gas received.

Q. Now on page 25, another diagram appears. Will you explain its nature?

A. That is a similar flow diagram which conforms with the one on page 24 except that the deliveries of this flow diagram are based upon the 24-hour coincidental maximum demand day of January 8, 1942.

Q. In what respect does the following diagram on page 26 differ from the one on page 25?

A. It represents the deliveries made during the calendar year 1940.

Q. Then the one on page 27?

A. That represents the gas delivered by the Interstate Company on the 24-hour coincidental maximum demand day of November 15, 1940.

Q. And the map on page 28?

A. It is similar to the other two calendar year flow diagrams except that it is for the calendar year 1939.

Q. Now I note that on pages 29 through 31, you have a section of the text devoted to a discussion of what is termed Gas Balance. Will you briefly describe what you contemplate by that?

A. I have prepared the gas balance for the operations of the Interstate Company based on calendar years for each year since the inception of the Interstate Company in 1926, through 1941. The text to which you refer merely describes the tables which follow on page 32 through page 43, which show the volumes of gas received by the Company by points of metering, and the gas delivered by the Interstate Company by points of metering, during the period stated.

On page 32 there is a summary of gas received and gas delivered, which reflcts losses and gains of the Company in their operations.

Q. I believe I asked you if this exhibit and the maps and diagrams therein contained, were prepared by you?

A. Yes, by me and under my direction.

Q. And under your supervision and direction?

A. Yes.

Q. During the course of your work on this assignment in Docket G-149?

A. That is correct.

* * * * * *

By Mr. Lange:

Q. Mr. White, on page 44 of Exhibit 49 for Identification, there is a topic discussed under the heading of "Demand Analysis". Will you give a brief explanation of that?

A. That is similar to the Gas Balance except that it is based on coincidental demand days and represents the gas delivered only.

Mr. Lange:
I believe that is all.

Trial Examiner:
Counsel for the company may cross examine the witness.

Cross Examination.

By Mr. Dougherty:
Q. Mr. White, you obtained your information from the Company's office at Monroe?
A. Yes, that is true.
Q. And which employees did you principally deal with in getting the information?
A. I expect every man in the company.
Q. The maps that you have in here, that is the one at page 5 and the one at page 14, were the basic data for those furnished to you by the Company?
A. That is correct I would say except that with respect to the map on page 14 I obtained the basic data for the Lirette and Lafitte systems from the United Gas Pipe Line Company.
Q. Will you turn to page 1 of the exhibit?
A. Yes, sir.
Q. Down at the bottom, in the last paragraph, you mention that Interstate sells natural gas to, among others, the Memphis Natural Gas Company?
A. That is correct.
Q. That is the sale that has been referred to in the testimony as made to the United Gas Pipe Line Company for the account of Memphis Natural?
A. That is right, for delivery to Memphis Natural. It is actually sold to the United Gas Pipe Line Company.
Q. Turn to page 11. In the next to the last paragraph from the bottom you state that all of Interstate's

deliveries to Southern Natural Gas Company, Mississippi River Fuel Corporation and Memphis Natural Gas Company are made for the account of Interstate and Hope Producing Company. Are you familiar with the fact that the Hope Producing Company makes some deliveries direct to Mississippi?

A. That is true. I think they have four or five wells called the Fairbanks wells, or something like that.

Q. So that with respect to deliveries to the Mississippi Company that is not all delivered via Interstate for the account of both Hope and Interstate?

A. That is true.

Q. Will you turn to page 18? In the next to the last paragraph you make mention of the fact that certain sources of supply were obtained from these fields south of Baton Rouge in southern Louisiana. And then the last sentence reads, "The effect of the transition has been to supply the increasing annual and demand responsibility of the Monroe Gas Field with gas from these southern fields".

I take it you mean by that, that the effect of getting this other gas has been to relieve the demands that otherwise would be made on the Monroe Field?

A. Well, I would say that they have relieved the demands on the Monroe Field; they have increased since that particular date.

Q. I mean for these particular markets in New Orleans?

A. That is correct.

Q. And except for those the demands of course would have been greater on the Monroe Field than actually they have been since those additional supplies have been brought in?

A. They have increased all over the system.

Q. Will you turn to page 19? In that first paragraph you mention the sale of gas by Interstate to United Gas

Pipe Line Company, and recite the method by which you say the volume of gas is computed. Is not the description you have given there different from the way it actually is first determined in computing that quantity, by Interstate?

A. I have never seen Interstate's actual computation. I believe the net result would be the same.

Q. That is what I had in mind, that after the computation has been made and the figures are all assembled in the method by which the Gas Measurement Department makes those computations, that the results could be described as you have so described them. But you were not here attempting to set out the steps by which the Gas Measurement Department actually makes their first comptuation?

A. That is correct; this isn't an analysis of the contracts.

Q. Turn to page 21. In that schedule which is shown on page 21, under the heading of "Remarks", in the first line it says, "Gas I. N. G. Co. sold U. G. P. L. Co. at Scotland Compressor Station". I take it that what you mean there is that that is the quantity of gas delivered at Scotland which actually is sold in the field?

A. That gas originated in the Monroe Gas Field, that is true, and by the contract I think the gas is sold at the intake at the Desiard Compressor Station. That is where it is delivered, though, at Scotland.

Q. So the word "delivered" there would be more appropriate than the word "sold"?

A. I think it would be all right.

Q. But you are familiar with the fact that the actual sale takes place at the inlet of the Desiard Compressor Station rather than at Scotland?

A. In accordance with the contract that is true.

Q. Then on page 22, at the bottom of the schedule there, you do mention in that first line gas sold United Gas Pipe Line Company and transported to Scotland?

A. Yes, that is transported from the Desiard Compressor Station at Monroe Field.

Q. Will you turn to page 30? In the last paragraph on that page you discuss the purchase of gas in the University Field by Interstate, and in the last sentence you mention that the portion of gas from the University Field that is delivered to Gulf States Utilities Company from the University Field is treated by you as part of the gas delivered from the main transmission line. You do that, I take it, purely in connection with arriving at your gas balance?

A. That is correct.

Q. Although the delivery, I think, is not actually made from the main transmission line?

A. No, it is made in the University Field. That town border floats on the distribution plant and so it more or less integrates it with delivery on the north side of the city.

Q. It is the sum of the quantities delivered from the University Field, plus that delivered from the main transmission line, that constitutes the total deliveries to Gulf States for Baton Rouge?

A. That is correct.

Q. And you have merely treated that portion from University Field in your gas balance computations as though it were delivered from the main line?

A. That is correct.

Q. Will you turn to the map on page 14? You show that dark shaded area as Monroe Gas Field, and then you indicate the Desiard Compressor Station with a pipeline running in a southerly direction from that?

A. Yes, sir.

Q. Is that the pipeline that is known and has been referred to as T-1?

A. That is correct.

Q. And then up near the point called Perryville you show a pipeline there at a little right-angle, and con-

tinuing on southward—and is that the pipeline that is known and has been referred to as T-9?

A. Yes, sir, that is T-9.

Q. The pipelines of the Interstate Company which you have shown on this particular map are those that bear the letter "T" with some number designation?

A. The solid lines bear "T" designations. Of course down below Baton Rouge is a dashed line which is the United Gas Pipe Line Company—I don't know their designation.

Q. I meant only the Interstate's lines as far as Baton Rouge?

A. That is correct.

Q. Will you turn to your first flow chart on page 24? As I understand the quantities which are shown in this list at the right hand side of the chart, you have shown there all of the gas received in the Monroe Gas Field, both produced and purchased, by Interstate?

A. No. This flow diagram is based on gas delivered and not on gas received.

Q. Now you show on the flow diagram a dotted outline in which you have the words, "Monroe Gas Field".

A. That is correct.

Q. Now you show on the flow diagram a designation there within that outline "Company Production and Gas Purchased"?

A. That is true.

Q. You don't, however, have any figures that in the first instance show that quantity?

A. No, this is based on gas delivered.

Q. Gas delivered?

A. Yes.

Q. Now these deliveries that are indicated with the symbols 176-S up to and including 182.3-S, and also 272-S, those are deliveries made in the field?

A. Yes, they are made within the geographical limits of the field.

Q. And those quantities so indicated do not pass through the Desiard Compressor Station?

A. No, none of those do.

Q. If you were to indicate in this flow chart the location of the Desiard Compressor Station by a line, where would you draw that line?

A. For schematic purposes, where the dashed line crosses the flow of gas. Of course that would be just the approximate location of it.

Q. Well, I meant schematic entirely, without any geographical location.

A. Yes.

Q. That dotted line which outlines Monroe Gas Field, where it crosses would indicate the gas that flows through the Desiard Compressor Station and is compressed there?

A. For all practical purposes that would be about its location. Of course the dotted line box which frames the Monroe Gas Field is intended to represent the outline of the field. The compressor station is several miles up into the field and it would probably be say a quarter or a half an inch above the dotted line.

Q. It would be some place below where that flow takes off to the right, indicating the deliveries in the field?

A. That is correct.

Q. There is also included, I assume, in that large column that crosses the dotted line showing the lower schematic side of the Monroe Gas Field, that quantity that flows through T-9?

A. Yes. I have considered T-9 as a loop to T-1, and of course all the way down it represents both the looping and the main line.

Q. Now Mr. White, the same situation would exist with respect to the location of the Desiard Station and the gas that flows through it and also that flows into

T-9, on the other flow diagrams that follow, pages 25, 26, 27 and 28?

A. That is correct.

Mr. Dougherty:

That is all I have.

Trial Examiner:

Does the Louisiana State Commission have any questions?

Mr. Martin:

No, sir.

Trial Examiner:

The City of New Orleans?

Mr. Coleman:

No questions.

Trial Examiner:

The City of Baton Rouge?

Mr. Kizer:

Yes, sir.

Cross Examination.

By Mr. Kizer:

Q. In making up this map on page 14, that is only calculated to show the lines and the gas available for distribution in those lines?

A. It is intended to show the geographical location of the main transmission lines of Interstate and of the United Company, and where deliveries are made.

Q. Are there only two big pipeline companies supplying the municipalities in Louisiana?

A. Probably three, the Arkansas-Louisiana Gas Company, Interstate Natural, and United.

Q. Does the Arkansas-Louisiana have any lines in South Louisiana?

A. Not in south Louisiana.

Q. Did you make a study to see what gas reserves were available for use by these companies in south Louisiana to avoid that distribution from the Monroe Gas Field, and that lift?

A. You mean in demands?

Q. Yes.

A. No, I made no estimate of reserves of anything but the Monroe Gas Field.

Q. Did you make any kind of a study at all of the Erath Gas Field?

A. No, sir, I never heard of it.

Q. Are there any other fields within your knowledge that would be available for these companies in South Louisiana to avoid that booster system that they are using from Monroe?

A. Not to my personal knowledge, I am not familiar enough with the reserves of South Louisiana to qualify to even testify on that.

Q. Well, I notice here in the bottom corner of this map on page 14, you have got what you call the Lirette System.

A. Yes.

Q. Do those little circles indicate gas fields there?

A. Yes, sir, that is true.

Q. Well, from this design it appears that there is a pipe line that intersects the main line of the United just above New Orleans?

A. Yes, out west of New Orleans approximately 12 or 15 miles at a place known as St. Rose.

Q. Is that gas from there transported on across the Lake and into Mississippi?

A. From where?

Q. From the Lirette Field.

A. Not by that pipe line. I understand the United Gas Pipe Line Company has constructed a line from the Lirette Field, which more or less follows the right-of-way of this pipe line shown on this map, which does go across Lake Pontchartrain, on across portions of Louisiana to Mobile, I believe is the terminus of it.

Q. Didn't you say you took this map from their records?

A. This map was only intended to show the pipe lines in which Interstate Natural Gas Company had an interest. It doesn't show all of the pipe lines in the area of the base map. That pipe line I spoke of, going to Mobile, is not intereonnected, in so far as I know, with this pipe line, either along the way or at St. Rose, it belongs 100 percent to the United Gas Pipe Line Company.

Q. And for that reason you didn't show it on this map?

A. That is correct.

Q. Now weren't you concerned in your investigation with the economy in the supply of this gas to these communities, particularly Baton Rouge and New Orleans?

A. You mean pertaining to other fields besides the ones shown on this map?

Q. Yes, sir.

A. No, the scope of my study didn't include those, because the company did not have any investment in them, and so it would have been kind of far afield to have made an investigation of all the reserves.

Q. Well, there isn't anybody else that we can buy gas from except the Interstate or the United, is there?

A. Not in this area, no, sir, with the exception that if there is distress gas, or gas available, anyone can purchase it.

Q. Well, it appears to me, then, that it would have been pertinent for you to have made some investigation of these big fields like the Erath Field and these others between here and the Texas border, to show the economy by which this gas could be produced and served to these communities to avoid this proposition of bringing this gas from the Monroe Field through these boosters, that was described here on the witness stand the first morning, and which was gone into detail on to show the enormous expense of that booster system. You didn't think that was pertinent to your investigation?

A. No, it wasn't in the scope of my investigation.

Q. Now then, you were talking, in answer to the cross examination of Mr. Dougherty as to page 30, the last paragraph of that page, about the University Field. Did you actually go out to the University Field and make a partial inspection of that gas line that the Interstate Natural Gas Company has where they transport the gas from the Sugar Field Oil Company well over to the Gulf States Utilities?

A. Yes, sir.

Q. Well, how long is that line?

A. Between the meter stations?

Q. Yes, between the meter stations.

A. Between the point of receipt and point of delivery, I would judge about 20 feet.

Q. Twenty feet?

A. Yes, sir.

Mr. Kizer:

That is all.

Trial Examiner:

Is there any re-direct?

Mr. Lange:

No questions.

Trial Examiner:
That is all with respect to that exhibit?

Mr. Lange:
Yes.
We offer Exhibit 49 in evidence.

Trial Examiner:
Is there any objection?

Mr. Dougherty:
We have no objection to the exhibit. There may be some further checking that we may have to do as to factual statements contained in it, but unless you hear from me to the contrary, there will be no further questions about it.

Trial Examiner:
Exhibit 49 is admitted in evidence.

(Exhibit No. 49 was received in evidence.)

Direct Examination.

By Mr. Lange:
Q. Mr. White, in connection with your assignment of the work on Docket G-149, this general investigation, did you also have occasion to examine all available records pertaining to the production of natural gas in the Monroe Field situated in Northern Louisiana?
A. Yes.
Q. Where did you get the basic information?
A. Primarily from the offices of the Louisiana Conservation Department.
Q. Did you also, in connection with that study, have access to and examine the Company's books and records?
A. That is correct.

Q. Where was that?

A. In Monroe, Louisiana.

Q. Approximately what portion of the time was devoted to that phase of the investigation by you?

A. About three months.

Q. After you had completed your investigation of that phase of the work, did you prepare an exhibit reflecting your estimate of the natural gas reserves of Interstate in that Monroe Field?

A. Yes, that is true.

Q. Is this the exhibit that you prepared?

A. Yes.

Mr. Lange:

Mr. Examiner, I desire to have this marked for identification as Exhibit No. 50.

Trial Examiner:

It may be so marked as Exhibit No. 50.

(The document referred to was marked as Exhibit No. 50 for identification.)

By Mr. Lange:

Q. Mr. White, will you turn to Exhibit No. 50 for identification, and first briefly explain what you did in gathering the material utilized for the preparation of this exhibit, and then what the exhibit itself reflects?

A. The exhibit itself reflects the future recoverable gas reserves and ultimate recoverable gas reserves of the Interstate Natural Gas Company, which I prepared from basic data obtained in the Louisiana Conservation Department at Monroe, Louisiana, which consisted of well pressures and production data covering the entire field.

There is also shown in this exhibit a statement of the mineral interests owned by the Interstate Company, located in the Monroe Gas Field, and this table also shows the recoverable gas reserves of the Interstate Company.

In the back of the exhibit, on page 12, there is a map of the Monroe gas Field which is the same map as included on page 5 of Exhibit No. 49. This map shows the outline of the Monroe Gas Field, the mineral interests separated between operated and unoperated, which are owned by the Interstate Company.

Q. Turn to page 2 of this exhibit, Mr. White. I note at that place you have a tabulation of what is indicated as Statistical Data. What was the source of that data?

A. The Louisiana Department of Minerals, or Conservation Department. They changed the name a while back, and I am not certain what the name of it is right now.

Q. Will you briefly explain what that statistical data consists of?

A. This tabulation was compiled from records in the office of the Department of Minerals in Monroe, Louisiana, and the first column gives the years; the second column—Total Producing Wells; the third column—Number of Wells Completed each year; and the fourth column—Total Production (MCF), by years. The next column is Total Wells, and the last column is Total Open-Flow Capacity (MCF) for 24 hours as published in the Reports of the Louisiana Department of Minerals.

The figures at the bottom which show the number of wells acidized each year, also came from the records of the Louisiana Department of Minerals.

Q. The total appearing in the second column as Total Producing Wells, does that column reflect the total producing gas wells that are attached to lines and are feeding to markets?

A. Yes, those are the wells which actually produced gas during those years which are shown.

The next column, of course, shows 1,367 wells as a total, but that figure includes edge wells to the field which never produced, bad drilling jobs in the field, and such as that.

Q. The total production indicated in the fourth column is total production in M. c. f.?

A. Yes.

Q. That is production by years?

A. That is correct.

Q. And the same pertains to each of the columns,—in other words, total producing wells in 1941 were 1,232 producing wells in the field?

A. Wells which did produce gas.

Q. Now on page 4 of the exhibit, there is a statement beginning with the fourth paragraph, "The following is a tabulation showing the principal operators of gas wells in the Monroe Gas Field, the number of wells which they own, and gas produced by them during 1941:"

Are those companies whose names are indicated there the same companies whose names appeared in the exhibits presented by Interstate Natural Gas Company heretofore in this proceeding That is, where Union Producing Co. is named, it is the same Union Producing Co. that was named in their exhibits?

A. That is correct. I think they only named 5 companies, as I recall it, in their acreage maps, and on the operating maps that they put in. I believe they included Union Producing Company, Southern Carbon Company, United Carbon Company, Interstate Natural Gas Company, and I believe there was mention of Hope Producing Company, which I don't show in my tabulation but which I include in the 33 other companies which have less than 25 wells, which is the last item under. "Name of Company".

Q. Now the summary appearing on page 5 sets forth the mineral interests owned by Interstate as of December 31, 1941. Where was that information obtained?

A. I made an analysis myself of the mineral interests owned by the Interstate Company from the Land Department of the Interstate Company at Monroe, Louisiana. After preparing that I checked it with the Examiner of Accounts of the Federal Power Commission, and we were in accord on the acres as shown here, the only difference being that I considered net acres of ownership, which means the actual ownership in certain tracts where they were jointly owned with others. In other words, if there is a hundred acre tract and Interstate's ownership was 50 percent, or one-half interest, I include that as 50 acres instead of 100 acres undivided interest.

Q. Now you have attached to the exhibit a map at page 12. Will you turn to that?

A. Yes, sir.

Q. I note a dotted line extending to about the edges of what would be indicated as the field, Monroe Field. Will you explain what that dotted line represents and how you arrived at its extent and location?

A. Prior to making the estimate of gas reserves, it was, of course, necessary to ascertain the probable limits of the field, and in order to do this I made an analysis of some 150 or 200 edge wells, that is, wells which had been abandoned or which had a low open flow, or which had been drilled as dry holes in the environs of the Monroe Field. From this study I determined the probable limits of the Monroe Gas Field.

Q. Now the symbols appearing on that map at page 12 are the same that are found on the Company's maps?

A. I don't understand?

Q. The symbols, like T-9, or F-33, and such, that appear on this map.

A. Yes, everything that is superimposed in black was taken from maps submitted to me by the Interstate Company.

Q. Now the legend gives two classifications, first Operated Mineral Interests and then Unoperated Mineral Interests. Those are the interests of Interstate Natural Gas Company, are they not?

A. Yes, Interstate only. The operated mineral interests are those mineral interests which have been perpetuated either through the drilling of wells by the Interstate Company, or by other companies.

Q. Now you also have the field divided into zones as indicated in the legend. Will you state what that division represents?

A. This zoning division was made primarily to facilitate the estimate of gas reserves, and although it somewhat follows the producing characteristics of the Monroe Field, the outlines are arbitrary and they represent the zones which the Interstate Company itself has used on their operating maps.

Q. When you speak of foreign-owned pipe lines, the secord classification in the legend, what lines are you referring to there?

A. I believe there are only shown four such lines on the map, beginning at the north end of the map where there is the Memphis Natural Gas Company 8-inch line; then on the right-hand side of the map is a small 7-inch line owned by Southern Carbon Company; then right below that there is another Southern Carbon Company line indicated.

Q. That is a 16-inch line?

A. Yes, sir. On the west side of the field there is a short line, possibly a quarter of a mile long, which is owned by the United Carbon Company. Then in the center of the map, going west from the DeSiard Compressor Station, there are three or four lines which are indicated as being owned by the Hope Producing Company.

Q. Now the third indication in the legend, Interstate Natural Gas Company Field Pipe Line with Company Line Number and Pipe Line Size, that carries with it the company symbols as you found them on their records?

A. Yes, that is correct.

Q. Where it says F-39, for instance, that is a company symbol?

A. That is right. All of these solid lines are field pipe lines of the Interstate Company as shown on the maps which they submitted I believe yesterday or the day before.

Q. And on this second one in the legend, where you state Foreign-owned pipe line, you indicate all pipe lines other than those owned by Interstate Company?

A. No, I only indicate those pipe lines to which the Interstate Company's field pipe lines are connected.

Q. As distinguished from Interstate's own lines?

A. That is correct. I don't show even all of the pipe lines of Memphis Natural, Southern Carbon, United Carbon, or Hope Producing.

Q. In other words, there are a good many other pipe line companies who have lines in that field that are not indicated on your map?

A. I believe there are some 43 operators in the field, and all of them have pipe lines of one kind or another.

Q. Now turning to page 10 of the exhibit, is that where you finally relate your data to the estimate of reserves that you made?

A. Yes, that tabulation shows the acres and future recoverable gas reserves and ultimate recoverable gas reserves of the Interstate Company.

Q. As of December 31, 1941?

A. That is correct, separated between operated mineral interests and unoperated mineral interests.

Q. Does that, in your opinion, in the light of the examination that you made and the experience you have had, correctly reflect the estimate of recoverable reserves as there indicated?

A. Yes.

Mr. Lange:

I believe that is all.

Trial Examiner:

Is counsel for the Company prepared to cross examine the witness?

Mr. Dougherty:

If you will give me just a moment.

Yes, Mr. Examiner, I have just one or two questions.

Cross Examination.

By Mr. Dougherty:

Q. On page 10 where you show the estimate of recoverable natural gas reserves in the next to the last column, that is, the 940,468,171 M. c. f., after you had arrived at this amount, that is the figure that Mr. Lerch agreed with you as being correct for the quantity of future recoverable gas reserves?

A. That is correct.

Mr. Dougherty:

That is all I have.

Trial Examiner:

Does the Louisiana Commission have any questions?

Mr. Martin:

No questions.

Trial Examiner:
The City of New Orleans?

Mr. Righter:
No.

Trial Examiner:
The City of Baton Rouge?

Mr. Kizer:
No.

Mr. Lange:
I move the admission of Exhibit No. 50.

Trial Examiner:
Is there any objection?

Mr. Dougherty:
Not on our part.

Trial Examiner:
Exhibit No. 50 is admitted into evidence.

(Exhibit No. 50 was received in evidence.)

Direct Examination.

By Mr. Lange:

Q. Mr. White, also in connection with your work on this assignment, did you have occasion to gather material, data and necessary information in the field and from the Company's records, as well as possibly from the records of the Conservation Commission, to enable you to determine upon the preparation of a service life exhibit affecting the properties of this Company?

A. Yes.

Q. When did you do that work and what period of time did you devote to it?

A. I prepared the basic data during the latter part of 1941 and the early part of this year. The field inspections and the data collected were collected during the year 1941.

Q. Is this the exhibit that you prepared on that phase of the work?

A. Yes, that is it.

Mr. Lange:

I ask that that be marked for identification, Mr. Examiner.

Trial Examiner:

It may be marked as Exhibit No. 51 for identification.

(The document referred to was marked as Exhibit No. 51 for identification.)

By Mr. Lange:

Q. Mr. White, what was the nature and scope of this exhibit?

A. The scope of the exhibit was to prepare a basis for depletion of the production plant of the Interstate Company, and to prepare service lives for the balance of the Interstate Company's plant, including transmission plant and general plant.

Q. Turn to page 6 of the exhibit. You have a tabulation there of recoverable gas reserves and annual production by years. Will you point out where that tabulation ties in with your tabulation in the estimate of reserves, Exhibit 50?

A. Yes, the last line in this tabulation, page 6 of Exhibit 51, which is for the year 1941, is the only tie-in between the two exhibits.

Q. That ties in with the figures on page 10—

A. (Interposing.) On page 10 of Exhibit 50, showing the amount of future recoverable gas reserves underlying operated mineral interests, as 837,048,855 M. c. f. Of course, the mineral interest acres as shown tie in with page 10 of Exhibit 50.

Q. Now look at page 9 of the exhibit. You there set forth a tabulation of what you recommend as the service lives and depreciation rates covering the various items of property by their account numbers. Now those account numbers, are those as appear in the Company's records, or in the Uniform System of Accounts?

A. They conform to the Uniform System of Accounts of the Federal Power Commission.

Q. In other words, the Uniform System of Accounts for Natural Gas Companies?

A. That is correct, of the Federal Power Commission.

Q. And not the Company's numerical account numbers?

A. No, but I imagine their account numbers are the same now.

Q. Will you briefly explain your conclusions reached with reference to the recommended service lives of each of those accounts by properties?

A. Yes. On this page is shown the Transmission Plant and General Plant. The recommended service lives in years are shown in the first column, with the annual depreciation rates in the second column.

For the Transmission Plant the service life of 35 years was based on the functional life of the Monroe Gas Field, whereas in General Plant the service lives shown are based on physical service lives.

Q. Now the annual depreciation rates that you have computed in that tabulation, are those the rates that you furnished the Commission's accounting staff, on which they proceeded to prepare their depreciation and depletion exhibits?

A. Yes, I submitted to them the figures shown on page 9, which show the recommended service lives in years and the annual depreciation rates, and also the production and recoverable reserves as shown on page 6 of this exhibit.

Q. Then the annual rates as appearing on page 9 are those employed by the Accountants in connection with their income exhibits for 1941?

A. Yes, they were employed by them.

Q. Now is it your opinion, Mr. White, in the light of your experience and in view of the information that you had available before you on this phase of the work, that this correctly reflects what, in your opinion, should be the service life of each of these items of property, as well as the annual rates to be employed in the future?

A. That is correct.

* * * * * * *

PAUL C. WHITE, the witness on the stand at the time of recess, resumed the stand and testified further as follows:

Cross Examination.

By Mr. Dougherty:

Q. Mr. White, in arriving at your service lives, as I understand it you took into consideration all of the various items that are recited in the definition of depreciation as contained in the Code of Accounts?

A. That is correct.

Q. Including the question of exhaustion of the gas reserves of the Interstate Natural Gas Company in the Monroe Field?

A. That was one of the factors, yes, sir.

Q. And the list of service lives that is found on page 9 of your Exhibit 51 represents the list that was agreed upon by Mr. Lerch, or between Mr. Lerch and you?

A. That is correct, yes, sir.

Q. As I recall it, there was a previous list of service lives that had been agreed upon before this existing one contained in your exhibit?

A. That is correct, yes, sir.

Q. Now with respect to those items under General Plant, are those the same in your Exhibit 51 as were contained in that previous agreement?

A. Yes, they are identical.

Q. The differences then are with respect to those lives under the group of accounts headed Transmission Plant?

A. That is correct.

Q. I have here a list, which I think is correct; will you examine that?

A. Yes, I had that typed for you.

Q. Now at the time that list was agreed to by Mr. Lerch is it your understanding, or your recollection that series of years there, which is 50 years, for example, for mains, as contrasted with 35 years contained in the list in Exhibit 51, was made with the understanding on the part of Mr. Lerch that it did not take into consideration the exhaustion of the gas reserves?

A. That is correct.

Q. That represented the service lives of that particular group of property accounts on the assumption of a continuation of the company's business?

A. That is correct.

Q. Indefinitely?

A. That is right.

Q. Will you read off, so that they will be in the record, those service lives on that sheet of paper which you had typed for me, by account numbers, so that we may

have them in comparison with the list of service lives as shown in your exhibit?

Mr. March:

We object to that, if it please the Examiner, for the reason that we are not offering that as an exhibit. It was prepared merely for the purpose of showing what the service lives of the line would be regardless of the reserves. This witness here has presented his exhibit, which is based upon a much sounder basis, the fact that some consideration must be given to the exhaustion of the gas reserves of the Monroe Field.

Now we object to the witness reading that into the record. If Mr. Dougherty wants to prepare such an exhibit and offer it in evidence, he can put Mr. Lerch on to do it, but he is attempting to put in through one of our witnesses here an exhibit which he is not presenting. He is presenting an exhibit which really submits all of the information which is reliable. Obviously we must give consideration to the life of the field.

Trial Examiner:

I think the objection is rather technical. Of course in so far as this witness reading off the figures contained in some other document is concerned, I think the objection is perhaps well taken. At the same time, from what I understand, the information contained therein could properly be elicited from the witness by way of cross examination.

Mr. March:

Well, it was not the subject matter of his direct examination, it is something entirely different, it is another exhibit. It is something that the company, if they wanted to put it in evidence here, could offer a witness for that purpose and put it in evidence through that

witness. This is something entirely different from what we have here, being tendered through this witness. We object to that sort of a procedure. It doesn't add a thing in the world to getting at the answer here in this case.

Trial Examiner:

The objection is sustained to the extent that it covers the method presently employed by counsel, that is to say, the request that the witness read off these items and figures into the record as representing some agreement heretofore made between him and counsel—

Mr. March:

(Interposing.) As a matter of fact, if it please the Examiner, the members of our staff have no authority to make binding agreements on the Commission, and neither can counsel make binding agreements on the Commission. Those agreements would have to be approved by the Commission.

Now before we went into this case we had several conferences and we ironed out informally certain of our differences. There was no written agreement, there was no written stipulation, as to any facts in this case. We wouldn't have the authority to make such a stipulation unless the Commission specifically approved it. Mr. White didn't have the authority to make any agreement. But we have made progress by getting together and seeing just wherein we differed. The fact that Mr. Dougherty says there have been agreements and stipulations and all that is something that counsel for the Commission doesn't know anything about.

Mr. Dougherty:

In my questions you will recall that I didn't ask if Mr. White had agreed to them. I said, were they figures agreed to by Mr. Lerch. It is purely a matter of put-

ting into the record the list of service lives that are based upon all considerations except the functional one, namely the exhaustion of the f[illegible]d, and I don't think there is anything improper about it.

Mr. March:

The only thing improper about it is that we are not relying on that sort of a tabulation or computation and we don't want to have anything to do with it. We have our exhibit that we are offering. As far as agreements are concerned, I understood that you were agreeable to the service lives of Mr. White before we started this proceeding.

Mr. Dougherty:

That is right.

Mr. March:

And there has been an informal understanding without any stipulation of binding effect, and we don't hold you to any binding agreement; but when counsel comes up here and attempts to put in some new exhibit through our witness and asks the witness whether or not Mr. Lerch agreed to that, then Mr. Lerch ought to be the man to testify about that.

Trial Examiner:

The objection has already been sustained.

Mr. Dougherty:

Is the list that you have, Mr. White, the one you prepared for me?

The Witness:

That is correct.

Mr. Dougherty:

I would like to have it marked for identification so that it will be identified.

Mr. March:

I object to that and ask that the last question be stricken from the record, the question and the answer, as contrary to the Examiner's ruling.

Trial Examiner:

I don't agree with that. The question was purely preliminary and doesn't involve any material fact.

(The document referred to was marked for identification as Exhibit 52.)

By Mr. Dougherty:

Q. Mr. White, on page 3 you have a heading "Production Plant", and then continuing on page 4, a list of account numbers as set forth in the Uniform Code of Accounts, with the titles of those accounts. With respect to Account 333.1, F[illegible] Lines, did you include in your study and your application of service lives all the field lines as so treated on the Company's records?

A. With the exception of the Company's field lines south of Baton Rouge.

Q. With respect to those in the Monroe Field, does that account include all of those field lines which are designated by the company with the letter "F"?

A. That is correct.

Q. You are familiar with Exhibit 43, which is a diagrammatic sketch or dispatching sketch of the field lines of Interstate?

Mr. March:

Exhibit 43 is an exhibit that your witness presented in evidence, isn't it?

Mr. Dougherty:
Yes.

Mr. March:
I object to any questions with regard to that which this witness is required to testify to. He didn't offer the exhibit; he didn't prepare the exhibit; and since he didn't do that we contend that he can't be cross examined in regard to it. We have tendered Mr. White here as a witness, he has offered a specific exhibit, and we object to any cross examination on any exhibits submitted by the company.

Mr. Dougherty:
My cross examination is not going to that exhibit. I am trying to find out what particular lines were included here, that is all.

Trial Examiner:
The objection is overruled.

The Witness:
Yes, I have looked at that exhibit.

By Mr. Dougherty:
Q. Are the field lines shown on there, with the designation "F", starting with "F-1" up to whatever the various "F" numbers are, the lines that are included in that Account 333.1, and put in as a part of your Production Plant for treatment on the question of service lives?
A. That is correct.

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Re-Direct Examination.

By Mr. March:

Q. Mr. White, I hand you a document marked for identification as Exhibit No. 52, and I will ask you why you did not use the service life figures contained on the face of that document?

A. The service lives applicable to the Transmission Plant were governed by the life of the Monroe Field. That being 35 years, I decided it was more proper to use that and disregard the physical service lives which had no bearing on the functional factors considered.

Q. And would you state that under those conditions it would be unsound to utilize the service life figures contained in Exhibit No. 52?

A. I would recommend the ones on page 9 of my Exhibit 51.

Q. And you are not recommending the ones on the document marked for identification as Exhibit 52?

A. That is correct.

Q. Have you made any agreements with the company in regard to that; has the Commission authorized you to make any agreements with the company in regard to Exhibit 52?

A. No.

Q. Have they authorized you at any time to make any agreements with the company in regard to any of these exhibits?

A. Not in connection with the exhibits, no.

. . . . . .

Mr. Kizer:

No, sir.

Mr. Lange:

I move the admission of Exhibit 51.

Trial Examiner:
Is there any objection?

Mr. Dougherty:
No objection.

Trial Examiner:
Exhibit No. 51 is admitted into evidence.

(Exhibit No. 51 was received in evidence.)

* * * * * *

FRED H. MAGRUDER, called as a witness on behalf of the Commission, having been first duly sworn, was examined and testified as follows:

Direct Examination.

By Mr. Lange:
Q. Please state your name?
A. Fred H. Magruder.
Q. Where do you reside?
A. Silver Spring, Montgomery County, Maryland.
Q. Are you presently employed by the Federal Power Commission?
A. I am.
Q. In what capacity?
A. As a Principal Examiner of Accounts.
Q. What is your profession or principal work?
A. Accountant.
Q. How long have you been engaged in that kind of work?
A. For approximately 25 years.

Q. And how long have you been with the Federal Power Commission?

A. Since October, 1939.

Q. October, 1939?

A. Yes, sir.

Q. And have you prepared a statement showing your qualifications and experience over a period of years up to and including the period of time that you have been with the Federal Power Commission?

A. I have.

Mr. Lange:

Mr. Examiner, Mr. Magruder may either read that into the record or it may be incorporated in the record by the reporter, whichever is preferable.

Trial Examiner:

Have counsel had an opportunity to go over this statement?

Mr. Doherty:

I am doing it right now, if the Examiner please. I think we can agree that it should go into the record. I have no objection to having it incorporated in the record.

Mr. Kizer:

No objection.

Mr. Martin:

No objection.

Mr. Rightor:

No objection.

Trial Examiner:

The statement of the witness's qualifications will be incorporated in the record as if read.

(The statement referred to is as follows:)

Education—Pace Institute of Accountancy, Kansas City, Mo., and Chicago, Illinois.

Experience—My employment during the last 25 years, which has been almost exclusively in accounting work, related chiefly to the oil and natural gas industries, is as follows:

Federal Power Commission, October 1939 to date.

The supervision of field parties undertaking accounting assignments that involved the examination of accounts and records of natural gas companies under investigation in rate-making proceedings; the preparation of accounting reports in connection therewith; and the coordination of that work with the work of other divisions of the Commission.

Federal Trade Commission—February 1935 to October 1939.

The supervision of work on investigations and, in connection therewith, the preparation of reports and the giving of testimony in public hearings. Many of these investigations were made pursuant to the Robinson-Patman Act which relates to price discrimination; others were made pursuant to Congressional resolutions and covered various industries including the natural gas industry.

Agricultural Adjustment Administration—November 1933 to February 1935.

Under the general direction of the Comptroller of the AAA, the supervision of the accounting phases of investigations of companies engaged in agricultural enterprises, particularly milk producers associations and processing companies, and, the preparation of reports relative to those enterprises. In charge of the Comptroller's regional office in Kansas City, Missouri.

Railroad Commission of Texas—Gas Utilities Division —September 1932 to June 1933.

In charge of a group of four to eight accountants, making an examination of the accounts and records of Lone Star Gas Company and Community Natural Gas Company, for rate-making purposes. This accounting work embraced the determination of the original cost of extensive gas producing, transporting, and distribution properties; depreciation and depletion studies; and the determination of net earnings applicable to the gas utility business over which the Commission had jurisdiction.

Practice of Public Accounting—October 1923 to September 1932.

Engaged in the practice of public accounting for my own account, with offices in Tulsa, Oklahoma, and Amarillo, Texas. Most of my work pertained to the oil and natural gas business and embraced special investigations, audits, and the installation of accounting systems relative thereto. From time to time I did special work in this line for or in conjunction with such firms of certified public accountants as Haskins and Sells, Smith-Brodie and Hunsford, and Rice-Hays Company.

Corsican Oil Refining Company—May 1921 to October 1923.

Served as Auditor for this Company, which was engaged in producing, transporting, refining, and selling petroleum and petroleum products.

Crockett, Couchman and Crawford—Certified Public Accountants—October 1919 to May 1921.

Served as a senior accountant and later, as manager of this firm's Dallas office. Engaged chiefly in conducting audits and in investigations of oil and natural gas companies, and in preparing reports thereon.

Sinclair Refining Company (Chicago, Illinois)—November 1916 to October 1919.

Served as Assistant to Treasurer and as Chief of Staff, performing the duties usually incident to such capacities.

By Mr. Lange:

Q. Mr. Magruder, have you had occasion to be assigned to any work under the Commission's general investigation, Docket G-149, of the Interstate Natural Gas Company, Inc.?

A. I have.

Q. About when did you first begin on that work?

A. About February, 1940.

Q. And where did you do most of the work on that assignment?

A. In the company's offices in Monroe, Louisiana.

Q. What was the purpose of your work there and what did you expect to prepare in exhibit form from the

information that you were to acquire from an examination of the company's books and records?

A. The original cost of the company's gas plant.

Q. The original cost of the company's gas plant?

A. Yes, sir.

Q. And of course you were proceeding, in determining that, having in mind the provisions of the Uniform System of Accounts for Natural Gas Companies?

A. That is right.

Q. Did you, on completion of your investigation, prepare or have prepared under your supervision and direction, an exhibit setting forth the original cost of that company's properties and plant?

A. I did, yes, sir.

Q. Is this the exhibit that you prepared?

A. It is, yes, sir.

Mr. Lange:

I would like to have this exhibit identified, Mr. Examiner.

Trial Examiner:

It will be marked Exhibit 56 for Identification.

(The document referred to was marked Exhibit No. 56 for identification.)

By Mr. Lange:

Q. Mr. Magruder, turning to Exhibit 56, will you briefly explain the manner in which you proceeded in determining the original cost of the gas plant as therein indicated?

A. We conducted an examination into the company's accounts and records for the period from 1926 through December 31, 1940. We made test analyses, detailed analyses, involving about 60 per cent of the dollar value of the plant.

Q. Does your exhibit in its Table of Contents also set forth whatever adjusting entries the examiner has made in connection with that determination?

A. Yes, sir, it does.

Q. And at what page in the exhibit is that; is it at page 11 in the exhibit where you set forth the original cost of the plant as adjusted to December 31, 1940?

A. The total, yes; it begins on page 9 and continues to page 11.

Q. Is the total in dollars of $21,235,613.10 the figure as of December 31, 1940?

A. That is the original cost of gas plant in service.

Q. As of December 31, 1940?

A. Yes, sir.

Q. Now you did not carry the work through the calendar year 1941, did you, through December 31, 1941?

A. No, sir, I did not; that was done by Mr. Rivers.

Q. Mr. Frank Rivers, one of the accountants of the Federal Power Commission?

A. Yes, sir, Mr. Frank C. Rivers.

Q. And he has prepared an exhibit wherein those figures are carried down through 1941, to December 31, 1941?

A. That is correct.

Q. Will you state briefly the purpose of the supporting schedules attached to your exhibit?

A. Schedules Nos. 2 through 32, supporting Schedule No. 1, are for the purpose of showing the principal components making up the primary accounts appearing in Schedule 1, which is a summary of original cost of gas plant.

Q. And in preparing this exhibit and setting up your accounts as you have, you followed the provisions of the Uniform System of Accounts for Natural Gas Companies, didn't you?

A. That is right, yes, sir.

Mr. Lange:
I believe that is all for the present.

Trial Examiner:
Is counsel for the company prepared to cross examine the witness?

Mr. Dougherty:
Yes, if the Examiner please.

Cross Examination.

By Mr. Dougherty:
Q. Mr. Magruder, if I understand this exhiibt it relates to the property in service, as you stated, at December 31, 1940?
A. That is right.
Q. And therefore has nothing in it with respect to any future additions for any period of years beyond that?
A. No, sir.
Q. Nothing in the way of estimates or figures of any sort for any property additions that might have to be made in the future?
A. That is correct.
Q. In preparing this exhibit I think you said you followed the instructions of the Uniform Code of Accounts of the Federal Power Commission for gas companies?
A. Yes, sir, that is correct.
Q. And in that connection would that involve gas plant Instruction No. 16 which is found on page 51 of the Code of Accounts?
A. You don't mind if I take the time to read this, do you?
Q. It is all right with me.
A. It does.

Q. Now the account numbers that cover Transmission Plant I think are shown on page 10 of your Exhibit 56, Sheet 2 of Schedule 1?

A. That is right, yes, sir.

Q. Now account number 353—Mains, with the succeeding sub-accounts under that as shown on page 10 of your exhibit, that is the same, I take it, as Account 353 shown in the Code on page 53?

A. Yes, sir.

Q. And the detailed instructions are found in the Code on pages 65 and 66?

A. That is right.

Q. Will you turn to page 49 of your exhibit. On that page do you have the detail of the various main lines as shown on the books of the company?

A. Certain details, yes, sir, it is a summary.

Q. Well, on lines 1, 2 and 3 of that page where I see the designations T-1 and T-9, those refer to those main lines of the company as carried on its records by those designated numbers?

A. That is right.

Q. And then that detail that is on page 48 is carried forward to your summary sheet back on page 10, to which we have just referred?

A. Yes, sir.

Q. Under the same account numbers?

A. That is right.

Q. Now with respect to field lines, are those covered under Account No. 333.1, as shown on page 52 of the Code of Accounts?

A. That is right, yes, sir.

Q. And that is the same account number with the instructions under it, as is found on page 63 of the Code?

A. Yes, sir.

Q. Now will you turn to page 36 of your exhibit. On pages 36, 37, 38, 39, 40 and 41 are shown individually the field lines of the company, I assume?

A. There are there shown the lines with the designation of the letter "F" preceding the number of the line.

Q. I notice on page 36 that the heading is "Natural Gas Production Plant—Field Lines and Rights-of-Way"?

A. Yes.

Q. Now these designations in the first column, which starts on page 36 with F-1 and continues on down through those succeeding numbers, and to and including page 41, those represent the field lines of the company as shown on its books?

A. As shown on the company's books?

Q. Yes.

A. Yes, sir.

Q. And then is the summary of those sheets shown on page 9 of your exhibit under Account No. 333.1, and sub-accounts which are items 15 through to 19?

A. That is correct.

Q. Referring back to page 36 and the succeeding pages, through to page 41, under Column (g) there are a number of descriptive words, and above Column (g) is the word "Location". What does that mean, that is, what does the word "location" mean; what significance does it have?

A. It shows where the line starts and terminates.

Q. That is, the location of the line in the Monroe Field?

A. That is right.

* * * * * *

Mr. Lange:

I move the admission of Exhibit 56.

Trial Examiner:

Is there any objection to Exhibit 56?

Mr. Dougherty:

We have no objection to this exhibit.

Trial Examiner:

Exhibit 56 is admitted into evidence.

(Exhibit No. 56 was admitted in evidence.)

Direct Examination.

By Mr. Lange:

Q. Mr. Magruder, during the course of your work on this assignment you have also prepared some other exhibits, among which was one that set forth the corporate and financial history of the company, is that correct?

A. That is right, yes, sir.

Q. That exhibit was prepared from the information that you had received from the company's books and records to which you had access?

A. Yes, sir.

Q. And from what sources in the company's files, Monroe, or New York, or both?

A. Both.

Q. From the company's offices at Monroe as well as the company's offices at New York?

A. That is right.

Mr. Lange:

I desire to have this identified.

Trial Examiner:

That will be Exhibit 57 for identification.

(The document referred to was marked for identification as Exhibit No. 57.)

By Mr. Lange:

Q. Mr. Magruder, this Exhibit 57 for Identification, does it take into account the entire corporate and financial history of Interstate Natural Gas Company, Inc.?

A. From its inception through December 1940, December 31, 1940, it does.

Q. And will you state briefly what the main sections of the Exhibit are, and what they represent?

A. Well, the exhibit as a whole is an account or a synopsis of the company's organization, control, development and its scope of operations.

Q. I notice that among the items set forth, on page 6 of the exhibit to be specific, is a reference to a bond issue that was at one time outstanding. Has that issue been retired in its entirety?

A. Yes, sir.

Q. When was the last portion of that issue retired?

A. July, 1936.

Q. July, 1936?

A. Yes.

Q. There are presently no outstanding bonds issued by this company?

A. No, sir.

Q. Against these properties?

A. That is right; there are none outstanding.

* * * * * *

Mr. Lange:

No. I move the admission of the exhibit.

Trial Examiner:

Is there any objection to Exhibit 57?

Mr. Dougherty:

No objection.

Trial Examiner:

Exhibit No. 57 is admitted in evidence.

(Exhibit No. 57 was received in evidence.)

Direct Examination.

By Mr. Lange:

Q. Mr. Magruder, Exhibit 57, as I asked you, carried the study through the year 1940?

A. Yes, sir.

Q. Was there a subsequent exhibit prepared carrying the operation through 1941, and also setting forth some computations that hadn't appeared in the previous exhibit, over the entire life of the company's operations?

A. You are referring now to the corporate history?

Q. That is right.

A. That is true.

Mr. Lange:

I would like to have this exhibit identified, Mr. Examiner.

Trial Examiner:

It seems to me that it might be well to mark this as Exhibit 57-A for Identification inasmuch as it seems to be directly related to Exhibit 57.

Mr. Lange:

I believe that would be a good idea.

(The document referred to was marked for identification as Exhibit No. 57-A.)

By Mr. Lange:

Q. This was prepared under your direction and supervision, Mr. Magruder?

A. Substantially most of it, yes, sir. The year 1941 was added by Mr. Rivers.

Q. Will you briefly state the nature of this exhibit and what it presents?

A. It presents a computation of the return earned on average net utility plant investment and estimated working capital per books for the years 1927 through 1941.

Q. Now that is the tabulation that begins at page 4, I believe, and extends over to page 5?

A. Yes, sir.

Q. Will you explain the nature of that tabulation and the source of the figures?

A. The source is the company's books.

Q. You have, as Item 18 of that, Estimated Working Capital?

A. Well, I want to correct my statement; that was determined by another study.

Q. That item is not taken from the company's books?

A. No, sir.

Q. How was that estimate arrived at?

A. That was arrived at by another study conducted by Mr. Rivers.

Q. And will be presented in a working capital exhibit?

A. That is right.

Q. Now the figures on the preceding page as to the dividend history, where were those figures obtained?

A. They were obtained from the records in the New York office.

Q. Of the Interstate Natural Gas Company?

A. Yes, sir; with the exception of 1941 they also appear in the corporate history up through December 31, 1940.

Q. In Exhibit 57?

A. Yes, sir.

Mr. Lange:

I believe that is all.

Trial Examiner:

Are you prepared to cross examine on this exhibit?

Mr. Dougherty:

Yes, sir.

Cross Examination.

By Mr. Dougherty:

Q. Mr. Magruder, as I understand Exhibit 57-A, you have taken the net utility plant as shown on the company's books as one of the items?

A. Yes, sir.

Q. And in doing that you have taken the cost of plant as shown on the company's books and deducted from it the depreciation and depletion reserves, as shown on the company's books?

A. Yes, sir.

Q. And that is without giving any consideration to the adjustment or revision of the accrued depreciation and depletion as might have been or may be made by the Power Commission's staff?

A. That is right.

Q. Then you have eliminated all net current assets from this statement?

A. Yes, sir.

Q. And in lieu of net current assets as actually shown on the company's books, you have substituted $348,089 working capital?

A. Yes, sir.

Q. Do you know that in making that elimination of the net current assets, that that takes out of the net worth approximately $2,000,000 for the year 1941?

A. As I said before, I prepared this statement up through 1940 and therefore I wouldn't be able to answer that question with respect to 1941.

Q. Well, wouldn't substantially the same amount of net current assets be taken out of the net worth for the year 1940?

A. It could be. Not knowing what they were in 1941, I wouldn't know.

Q. I am directing my question now to 1940, and I want to know in round figures what net current assets in dollars were taken out or eliminated, in lieu of which you put in the $348,089?

A. Well, the net current assets fluctuate from year to year.

Q. Well, I am asking you what they were for 1940; don't you have it there? And when I speak of net current assets, by that you take cash and all other current assets and then deduct the current liabilities of every kind?

A. That is correct.

Q. And that is the reason, is it not, that when you show your earned return in that line 21 on the second page of the schedule attached to your Exhibit 57-A, you get a higher percentage than you do in your Exhibit 57?

A. Well I believe, in determining the working capital, you take into consideration the needs of the business, and not necessarily the difference between the current assets and the current liabilities.

Q. Well, what I would like is an answer to my question that that is the reason why you get a different percentage?

A. Well naturally, using the amount we have there as estimated working capital would make a difference in the return earned as shown on line 21—

Q. (Interposing.) For example, you show for 1940, on line 19 on the second page of that schedule, an average net utility plant, plus estimated working capital, of $10,826,200.06; whereas when you made your computation to show the ratio of net income to capital in Exhibit 57, on page 30, you had a base of $12,337,132?

A. What page is that on?

Q. Page 30 of Exhibit 57.

A. Yes, that is based on capital stock and surplus.

Q. That would be the company's net worth?

A. That is right.

Q. So what you have done on Exhibit 57 is that you have put in the working capital as found in another study made by the Commission's staff, but you have not utilized or used the revised depreciation and depletion amounts?

A. That is right.

Q. And if you did that, that would bring your net utility plant plus estimated working capital up some few million dollars?

A. Yes, sir.

Q. In this schedule on Exhibit 57-A you make reference to certain adjustments of company surplus. For example, Item 10 on the first page of the schedule, and Item 13, and the same items on the second page—are those the same adjustments to surplus that I asked you about as being shown on Schedule 8 on Exhibit 57?

A. I believe those only included surplus adjustments. These adjustments are also a reclassification—I don't want to call them adjustments—but they also have some effect on plant. For several years the company carried in its uncompleted construction large amounts representing a loop line and a compressor station after they had been placed in service; and we made a reclassification and threw that into plant as of the year it went into service. It didn't change the total.

By Mr. Lange:

Q. Mr. Magruder, Mr. Dougherty asked you concerning the preparation of this computation of return earned on average net utility plant investment appearing in Exhibit 57-A, and whether in computing the figures for the year 1940, for instance, you failed to include current assets of the company in excess of one million and some odd dollars?

A. That is correct.

Q. What current assets are those that are referred to?

A. Well, a substantial amount of that difference would be represented by what is termed temporary cash investments—associated companies, in the amount of $1,896,220.61, the interest on which was not taken into consideration as part of the net utility income used in computing the return earned.

Q. And such interest is not properly part of the net utility income?

A. That is right.

Q. As treated here?

A. That is right.

Q. In this exhibit?

A. Yes.

Q. And that is why that claim of the $1,000,000 plus current assets, as not having been given consideration in the computation of your net utility income, is not applicable properly, that is the claim isn't substantiated because the addition of that item of claimed current assets isn't properly to be included in your current net utility income, is it?

A. The one million dollars plus?

Q. The interest on that wasn't included in your utility income, was it?

A. That is right.

Q. It goes below the line?

A. That is correct.

Q. Then does that item appear in a subsequent exhibit prepared by you, that is the balance sheet prepared by you?

A. That is correct.

Mr. Lange:

That is all.

Trial Examiner:

Do you have any re-cross examination, Mr. Dougherty?

Mr. Dougherty:

Nothing more.

Mr. Lange:

I move the admission of Exhibit 57-A.

Trial Examiner:

Is there any objection to Exhibit 57-A?

Mr. Dougherty:

No objection.

Trial Examiner:

Exhibit 57-A is admitted in evidence.

(Exhibit 57-A was admitted in evidence.)

Direct Examination.

By Mr. Lange:

Q. Mr. Magruder, did you also, in connection with your work, prepare a balance sheet as of December 31, 1940?

A. Yes, sir.

Q. And did you prepare an exhibit setting forth that balance sheet, and supporting schedules?

A. Yes, sir.

Q. Is this the exhibit?

A. It is.

Mr. Lange:

I ask that that be marked for identification.

Trial Examiner:

It may be marked as Exhibit 58 for Identification.

(The document referred to was marked for identification as Exhibit 58.)

By Mr. Lang:

Q. Mr. Magruder, turning to page 3 of Exhibit 58 for Identification, under Current and Accrued Assets, an item of $1,896,220.61 is there set forth. That is the item that has just been discussed in connection with your Exhibit 57-A, is it not?

A. That is correct.

Q. Now will you briefly explain the nature of that exhibit and the schedules supporting it?

A. Well, the primary purpose of this exhibit is for the purpose of reflecting the results of the examiners' adjustments which affect the balances of the assets and liabilities as shown by the company's books at December 31, 1940.

Q. Was this exhibit prepared by you or under your supervision or direction?

A. Yes, sir.

Q. And in conformity with the Uniform System of Accounts for Natural Gas Companies?

A. Yes, sir.

Mr. Lange:

That is all.

Trial Examiner:

Cross examination?

Cross Examination.

By Mr. Dougherty:

Q. Mr. Magruder, Exhibit 58 for Identification does reflect the adjustments made by the Power Commission's staff with respect to depreciation and depletion?

A. As of December 31, 1940, yes, sir.

Q. Now did you make a computation of depreciation as adjusted, or did you take that from some other exhibit or some other examiner?

A. I made, or assisted in making, the computation.

Q. How did you make that, that is, what method did you utilize in arriving at the depreciation which you are adjusting in the amount you are setting up as the proper accrued depreciation and depletion in this balance sheet?

A. Well, I will have to refer to the exhibit that was prepared on that.

Q. That is a separate exhibit?

A. Yes.

Q. Will you present that yourself later?

A. I think that is the plan.

Mr. Lange:

Yes, there is an exhibit that will be presented on that.

By Mr. Dougherty:

Q. At any rate, the figures which you have in here representing the adjustment on depreciation then are taken from this other exhibit which specifically deals with depreciation and depletion?

A. Yes, sir, it is incidental to this balance sheet.

Q. And you will be able to explain how you did that when that exhibit is under consideration?

A. Yes, sir.

Direct Examination.

By Mr. Lange:

Q. Mr. Magruder, you also prepared, in connection with this assignment, an exhibit setting forth your findings as to depreciation and depletion in the properties of the company, did you not?

A. That is correct.

Q. From the year 1926 through the year 1940?

A. That is correct.

Mr. Lange:

I would like to have this exhibit identified, Mr. Examiner.

Trial Examiner:

It may be marked as Exhibit No. 59 for identification.

(The document referred to was marked for identification as Exhibit No. 59.)

By Mr. Lange:

Q. Mr. Magruder, Exhibit 59 for Identification was prepared by you or under your supervision was it not?

A. Yes, sir.

Q. What does it set forth?

A. Well, in substance the purpose of the exhibit, and what it sets forth is the substitution of depreciation and depletion accruals for the years 1926 through 1940 in lieu of those of the company.

Q. In other words you proceeded with the determination of the proper reserve for depreciation of the gas plant, with your adjustments, as examiner for the Commission?

A. That is correct.

Q. Will you turn to page 9 of the exhibit?

A. Yes, sir.

Q. The figure set forth in the last column, Balance December 31, 1940—$5,329,657.69, is the figure arrived at as of December 31, 1940?

A. Yes, sir, that is the accrued depreciation.

Q. The accrued depreciation in the plant?

A. Yes, sir.

Q. Of Interstate Natural Gas Company?

A. Yes, sir.

Q. How was that figure arrived at?

A. It was arrived at by making computations, or rather applying rates, service life rates—

Q. (Interposing.) What service life rates?

A. Service life rates as furnished by Mr. White—to the original cost of the depreciable gas plant.

Q. You mean the service lives furnished to you by Mr. White as reflected in his Exhibit 51?

A. That is correct.

Trial Examiner:

That was applied to the balance of the original cost for each year?

The Witness:

Yes, sir.

Trial Examiner:

The balance was accumulated over the period, then?

The Witness:

Yes, sir.

By Mr. Lange:

Q. And on page 10 of the exhibit the figures there show the reserve for depreciation as per books of the company as at December 31, 1940?

A. That is correct.

Q. As $9,469,134.04?

A. That is right.

Q. Now turn to page 23 of the exhibit. What does that computation reflect?

A. It shows the reserve for depletion as adjusted for the years 1926 through 1940.

Q. And page 24 shows the reserve for depletion as per books, does it?

A. That is correct.

Q. Of the company?

A. Yes, for the same years.

Q. Now the appendix on page 26, what does that reflect?

A. It reflects the depletion and depreciation factors.

Q. Now the estimated mcf of recoverable gas as of the end of 1940, appearing in the next to the last column, amounting to 857,663,720 mcf, is taken from page 6 of Exhibit 51, isn't it?

A. Mr. White's exhibit, that is correct, yes, sir.

Mr. Lange:

No further questions.

Trial Examiner:

Does counsel for the company have any cross examination?

Cross Examination

By Mr. Dougherty:

Q. Mr. Magruder, as I understand your method of determining the accrued depreciation as represented in Exhibit 59, it is that you took the service lives as pro-

vided you by Mr. White and translated those into percentages?

A. That is correct, yes, sir.

Q. And then did you apply that, year by year, against the gas plant accounts?

A. Yes, sir, the average yearly balances.

Q. Now in respect to making your depletion study, which I think is shown on page 16, are those percentages shown in Column (e), percentages which were furnished you by Mr. White also, or did you prepare those?

A. I prepared those.

Q. And in doing that am I correct in understanding that you take the reserves as shown by Mr. White's exhibit under the operated acreage, as the remaining reserves against which you apply production for that particular year to get your percentage?

A. Operated acreage only.

Q. And such reserves as are estimated by him to be under the unoperated acreage, are not considered in arriving at depletion?

A. No, sir.

Q. In your original cost of gas plant, then, do you include the cost of those unoperated reserves at 100 per cent?

A. I don't believe I understand your question.

Q. What I am trying to find out is this, that since you say you do not deplete the cost of the unoperated reserves do you, in making your original cost study, keep those in the cost of gas plant at 100 per cent of the cost?

A. The unoperated acreage?

Q. Yes.

A. That is right.

Mr. Lange:
No further questions.
I move the admission of Exhibit 59 at this time.

Trial Examiner:
Is there any objection to Exhibit 59?

Mr. Dougherty:
If the Examiner please—

Mr. Lange:
(Interposing.) There was one question I wanted to ask before moving the admission of this document.

Trial Examiner:
Very well.

Mr. Lange:
This Exhibit 59 was prepared in conformity with the provisions of the Uniform System of Accounts for Natural Gas Companies, was it?

The Witness:
Yes, sir.

Mr. Dougherty:
If the Examiner please, there is only one question in my mind. I am not sure whether any of our people have checked the computations made by Mr. Magruder in determining the accrued depreciation. We think they did but I merely want to make inquiry. I will make no objection to the exhibit now but it might be that we would request the opportunity to check, in the working papers, these computations as soon a I can verify the fact of whether we have already done so or not.

Mr. Lange:

Mr. Magruder's working papers are available.

Trial Examiner:

If there is any error in the computation, of course the correction should be made in the record.

Mr. Dougherty:

That is all I had in mind. So I will make no objection to the exhibit, with that understanding.

Trial Examiner:

I presume you have no objection, then, to Exhibit 58 as well?

Mr. Dougherty:

That is right.

Trial Examiner:

Exhibits 58 and 59 ar received into evidence.

(Exhibit Nos. 58 and 59 were received in evidence.)

Direct Examination.

By Mr. Lange:

Q. Mr. Magruder, did you also prepare another exhibit on this assignment covering the matters of the exploration and development costs during the years 1926 through the end of the year 1940?

A. I did, yes, sir.

Q. Is this the exhibit prepared by you?

A. It is.

Mr. Lange:

I desire to have it marked for identification.

Trial Examiner:

It may be marked as Exhibit 60 for Identification.

(The document referred to was marked for identification as Exhibit No. 60.)

By Mr. Lange:

Q. Mr. Magruder, was this exhibit prepared by you or under your supervision and direction?

A. Yes, sir.

Q. And what does it present?

A. The purpose of the exhibit and what it presents is a restatement of the accounting for exploration and development costs of the Interstate Natural Gas Company for the years 1926 through 1940.

Q. And does it also show adjustments that were made by you and other examiners working under you?

A. Yes, sir.

Trial Examiner:

That is, to the company's book figures?

The Witness:

Yes, sir.

By Mr. Lange:

Q. Now you also in that exhibit have a schedule on page 5 showing the figures as they appear on the company's books unadjusted?

A. That is correct.

Q. And the schedule at page 4, does that show the adjustments as finally made by you?

A. That shows exploration and development costs as adjusted, yes, sir.

Mr. Lange:

No further questions.

Mr. Dougherty:
I have no questions.

Trial Examiner:
Does the Louisiana Commission have any questions?

Mr. Martin:
No, sir.

Trial Examiner:
The City of New Orleans?

Mr. Knight:
No, sir.

Trial Examiner:
The City of Baton Rouge?

(No response.)

Mr. Lange:
I move the admission of the exhibit.

Trial Examiner:
Is there any objection to the admission of Exhibit No. 60?

Mr. Dougherty:
No objection.

Trial Examiner:
Exhibit No. 60 is admitted in evidence.

(Exhibit No. 60 was received in evidence.)

Mr. Lange:

I have no further examination of this witness at the present.

Trial Examiner:

That is all, Mr. Magruder.

(Witness excused.)

Trial Examiner:

Call your next witness.

* * * * * *

Mr. Dougherty:

That is all.

Direct Examination.

By Mr. Lange:

Q. Mr. Rivers, in the course of your work on this assignment, did you also have occasion to prepare an exhibit on the Income Accounts of the Company, showing also your adjustments to those entries?

A. On income, did you say?

Q. Yes, sir.

A. Yes.

Q. For the years 1938, 1939 and 1940?

A. Yes, sir.

Q. I will ask you whether that exhibit is in two parts?

A. It is in two parts, Volume I and Volume II.

Volume I contains the text and 13 schedules on the various income accounts. Volume II contains two pages of explanation and is followed by 15 schedules of reclassifications and 15 schedules summarizing the adjustment entries.

Q. Are these the two exhibits?
A. Yes, sir.

Mr. Lange:
I ask that they be marked for identification, Mr. Examiner.

Trial Examiner:
Volume I will be marked Exhibit 62-A for identification, and Volume II will be marked 62-B for identification.

(The documents referred to were marked as Exhibits Nos. 62-A and 62-B, respectively, for identification.)

By Mr. Lange:
Q. Mr. Rivers, where was the basic material secured that entered into the preparation of these exhibits?
A. The basic material was found in the Monroe Office of the Interstate Natural Gas Company, Incorporated.
Q. Monroe, Louisiana?
A. Yes, sir.
Q. And the exhibits themselves were prepared after you had made your examination of the Company's books and records, and had reached your final results?
A. That is correct, yes, sir.
Q. And had made your adjustments as are reflected here?
A. Yes, sir.
Q. Turn to page 4 of Volume 62-A. There is set forth on that page a schedule showing the net utility income as you finally computed it from your figures, for the years 1938, 1939 and 1940, is there not?
A. Yes, sir, that is the net utility income that I arrived at with the available information I had at the time that this was prepared.

Q. Now your schedule on page 11 setting forth the depreciation and depletion figures, the depreciation and depletion figures per books were, of course, those set up on the Company's books and records?

A. Yes, sir.

Q. Now the depreciation and depletion figures of the examiners, were those taken from the figures in your previous exhibit, or rather do they correspond with the figures set up in your depreciation and depletion studies?

A. They were taken from the figures computed, and will be found in the report on depreciation and depletion.

Q. Mr. Magruder's exhibit?

A. Yes, sir.

Q. Were these exhibits prepared in conformity with the provisions of the Uniform System of Accounts for Natural Gas Companies?

A. Yes, sir.

Q. And they proceed through the three years ending December 31, 1940?

A. That is right.

Q. And subsequently there will be another exhibit showing the income through the year 1941?

A. Yes, sir.

Q. As adjusted?

A. That is right.

Mr. Lange:

That is all on direct.

Mr. Dougherty:

I have no questions.

Trial Examiner:

Does the Louisiana Commission have any questions?

Mr. Martin:
No.

Trial Examiner:
The City of New Orleans?

Mr. Knight:
No questions.

Trial Examiner:
The City of Baton Rouge?

(No response.)

Mr. Lange:
I move the admission of Exhibits 62-A and 62-B.

Trial Examiner:
Is there any objection?

Mr. Dougherty:
No objection.

Trial Examiner:
Exhibits 62-A and 62-B are admitted in evidence.

(Exhibits Nos. 62-A and 62-B were received in evidence.)

Direct Examination.

By Mr. Lange:

Q. Mr. Rivers, did you carry forward the work on this assignment through the year 1941, that is, the calender year 1941, and reflect the matters found in an exhibit that set forth the report on the income, plant and

depreciation and depletion reserve accounts for that year?

A. Yes, sir, I did.

Q. Is this the report?

A. That is the report.

Mr. Lange:

I desire to have it identified, Mr. Examiner.

Trial Examiner:

That will be Exhibit No. 63 for identification.

(The document referred to was marked as Exhibit No. 63 for identification.)

By Mr. Lange:

This exhibit, Mr. Rivers, is a combination of the income as well as depreciation and depletion figures through 1941, also carrying the original cost figures through December 31, 1941?

A. Yes, sir, but not in the detail that the reports were from 1938 to 1940—I am speaking of income now—and the other reports that have already been presented.

Q. Will you turn to page 28 of Exhibit 63, Mr. Rivers?

A. Yes, sir.

Q. That shows on that page the balance of investment in gas plant as reclassified as of December 31, 1941, does it not?

A. Yes, sir.

Q. In the sum of $21,287,157.17?

A. Yes, sir, that is the total of gas plant in service.

Q. In service as of December 31, 1941?

A. Yes, sir.

Q. Now turn to page 29 of the exhibit. What does the dollar figure in the last column, (g), $614,896.50, represent?

A. On page 29?

Q. Yes.

A. That is a sub-total. $614,896.50 represents the total of depletion and depreciation expense for the year 1941.

Q. And how was that computed?

A. That was computed on two bases—gas acreage operated is computed on the depletion base, together with certain parts of the production system; and the transmission and the balance of the production system is depreciated on a depreciation base.

Q. In making these computations for the calendar year 1941, Mr. Rivers, you proceeded in the same fashion as Mr. Magruder did when he made his computations for the previous years, did you?

A. Exactly, sir.

Q. Which computations are reflected in his exhibit?

A. Yes, sir.

Q. And on page 1 of the exhibit, your computation there shows the net utility income for the 12-month period ending December 31, 1941?

A. Yes, sir.

Q. $2,386,191?

A. Yes, sir.

Q. And the year 1940 is there set forth and the comparison made between the two years?

A. Yes, sir, that is correct.

Q. I think I forgot to ask you, in connection with your working capital exhibit, as well as this exhibit and the other exhibits that you have here presented—each of those exhibits has been approved and was approved by Mr. Charles W. Smith, Chief of the Bureau of Accounts, Finance and Rates, of the Federal Power Commission?

A. Yes, sir.

Mr. Lange:

No further questions.

Cross Examination.

By Mr. Dougherty:

Q. Mr. Rivers, will you turn to page 6 of your exhibit. You show there that for 1941 the company took in for the sale of gas and transportation revenue, in excess of $1,000,000 over and above what it took in for 1940?

A. Yes, sir.

Q. That is because of the greater sales of gas?

A. I am quite sure it was, yes, sir.

Q. Then when you come down to utility income you show that notwithstanding the fact that the company took in more than $1,000,000 more than it did in 1940, it had net operating revenues of almost $12,000 less?

A. Yes, sir, that is right.

Q. What is the principal item that has taken up that more than $1,000,000?

A. You mean what accounted for that increase?

Q. What accounted for the fact that we had a decrease, actually, in net operating revenues, whereas we had more than a $1,000,000 increase in gross revenues?

A. Well, that is due principally to an increase in gas purchased of $321,676, and an increase in taxes of $795,996.

Mr. Lange:

You mean Federal Income taxes?

The Witness:

Federal Income taxes are only a part of that.

Mr. Lange:

What portion of the increase—

The Witness:

(Interposing.) The Federal income taxes accounted for $658,937.

Trial Examiner:

The first figure you gave there of gas purchased doesn't appear on page 6, does it?

The Witness:

That is on page 3. I was going back to get what made up the difference.

By Mr. Dougherty:

Q. The actual operating expenses of the company as shown on page 6 increased only $307,531, and that is less than the actual increase in gas purchase expense, isn't it?

A. Yes, that is right.

Q. Then also there is one item there of non-recurring expense which was $41,687 less in 1941 than in 1940; is that correct?

A. That is correct.

Q. So that if that expense had been reincurred, the company would have been still further behind on its net operating revenues than it actually was?

A. Well, by the very nature of these expenses that I have entitled Non-Recurring Expenses, they consist of items in the largest part which do not normally recur.

Q. Is any of that rate case expense?

A. Yes, part of it is.

Q. Well, we were still incurring it in 1941, weren't we, and are also still incurring it in 1942?

A. Yes.

Q. What I am merely trying to point out, Mr. Rivers, is that despite an increase of 16 per cent and more in

the gross revenues of the company, it had less net operating revenue than it did in 1940?

A. That is right.

Q. Now are you familiar with the fact that larger Federal income taxes are to be imposed for the year 1942 than were in effect for 1941, and I mean a greater rate of income tax?

A. That is my understanding, yes.

Q. So that if those greater rates of taxation had been in effect in 1941, that decrease in net operating revenues of 1941 over 1940 would be still greater?

A. If they had been in effect, yes, sir.

Q. And if the same operating revenues as shown in 1941 were received by the company in 1942, and the same operating expenses and other items were all the same, yet if the tax rates were higher, that same result of a greater decrease in the net operating revenues will take place for 1942, will it not?

A. When you say "net operating revenues" you of course mean net utility income?

Q. Well, I am reading what you say; I am just reading from page 6 where you say net operating revenues, which I take it are from the operations of the company?

A. I see it.

Q. I am disregarding the question of exploration costs and things like that, I am talking purely about the actual operations.

A. I just wanted to find out. Will you read the question, please?

(The reporter read the pending question.)

A. On that basis, yes.

Mr. Dougherty:

That is all.

Trial Examiner:
Does the Louisiana Commission have any questions?

Mr. Martin:
No.

Trial Examiner:
The City of New Orleans?

(No response.)

The City of Baton Rouge?

(No response.)

Mr. Lange:
I offer Exhibit No. 63 in evidence.

Trial Examiner:
Is there any objection to Exhibit 63?

Mr. Dougherty:
No objection.

Trial Examiner:
Exhibit No. 63 is admitted in evidence.

(Exhibit No. 63 was received in evidence.)

Mr. March:
I requested Mr. Dougherty to produce certain information as to William von Phul's position in the Southern Natural Gas Company, and I believe he has that information here at this time. Will you read that telegram into the record, Mr. Dougherty?

Mr. Dougherty:

Yes. If the Examiner please, I sent a telegram to Mr. von Phul, asking him for this information, and this morning I received a reply which is as follows:

I was never a director of the Southern Natural Gas Corporation, the predecessor of present company stop The Southern Natural Gas Corporation went into receivership and I was chairman of a committee representing the seven dollar preferred stock, and later became a member of the reorganization committee of Southern Natural Gas Corporation and when the receivership was lifted and the property turned over to the Southern Natural Gas Company, the present company, December 31, 1935, I became a director of the present company and have continued as such.

That is signed William von Phul.

* * * * * *

JAMES V. O'CONNOR, called as a witness on behalf of the Federal Power Commission, having been first duly sworn, was examined and testified as follows:

Direct Examination.

By Mr. Lange:

Q. State your name, please?
A. My name is James V. O'Connor.
Q. Where do you reside, Mr. O'Connor?
A. Arlington, Virginia.
Q. And by whom are you presently employed?
A. The Federal Power Commission.

Q. And how long have you been employed by that Commission?

A. Since September, 1934.

Q. In what capacity?

A. My present title is Senior Rate Investigator.

Q. What is your business or profession?

A. Engineer.

Q. When were you assigned on work in connection with Docket G-149, Interstate Natural Gas Company, Incorporated?

A. I believe it was about—

Q. (Interposing.) Approximately?

A. February, 1942.

Q. Before I got into that further, I want to ask you whether you have prepared a statement setting forth your qualifications and experience in connection with the work that you have done heretofore?

A. I have.

Mr Lange:

Mr. Examiner, I have submitted this statement to counsel this morning, just a moment ago, and if agreeable the witness may either read it into the record or it may be incorporated into the record.

Mr. Dougherty:

I have no objection to having it incorporated in the record without being read.

Trial Examiner:

The qualifications of the witness will be incorporated into the record as if read.

(The statement referred to is as follows:)

My names is James V. O'Connor. I reside at Arlington, Virginia. I have been employed by the Federal

Power Commission since September 1934. My present position is Senior Rate Investigator.

In that position, my duties include the analysis of the rates and charges for gas and electric services of natural gas companies and public utilities filed with the Commission; preparation of cost allocations; studies of methods and operating costs of the production, transmission, and delivery of natural gas and electricity; studies of market demands, consumption, and utilization of gas and electricity; service life studies; and preparation of exhibits and presentation of testimony in connection with formal and informal proceedings before the Commission in reference to the property, operations, rates, and markets of natural gas companies and public utilities.

I have previously testified for the Commission at Denver, Colorado, concerning the property and operations of Canadian River Gas Company, Colorado Interstate Gas Company, and Colorado-Wyoming Gas Company in the hearings in connection with Docket No. G-124.

I was graduated from the Massachusetts Institute of Technology in 1923 with the degree of Bachelor of Science in Mechanical Engineering. In 1927 and 1928, I attended the night session of the Graduate School of Business Administration of New York University.

From 1923 to 1928, I was employed by the Brooklyn Edison Company. My work with this company included making acceptance test on steam power plant equipment; tests and studies to improve the performance of such equipment; development of improved plant operating methods; preparation of schedules for the coordinated operation of the company's generating plants with the

plants of interconnected companies to reduce capital and operating costs; analysis of the operations of the company and other large electric companies; inventory of property, preparation of forecast of power sales, output, and demands; and miscellaneous tests, investigations, studies, and reports on sundry operating problems.

From 1929 to 1934, I was employed by the American Gas Association. My work with the Association included the collection, compilation and analysis of reports filed by manufactured and natural gas companies; the preparation of reports on the production, transportation, distribution and sale of gas, the operations of gas companies, and the revenues, expenses, income and investment of reporting companies; preparation of economic and engineering data for use of committees of the Association investigating various problems of the gas industry; preparation of data for, or in cooperation with, Government agencies, gas utilities, and others.

By Mr. Lange:

Q. Mr. O'Connor, on your assignment and in connection with the work on the matter of this general investigation, did you have occasion to examine, in detail, the contracts and rate schedules of Interstate Natural Gas Company, Incorporated?

A. I did.

Q. Did you prepare an exhibit setting forth a comparison of the rate schedules and gas sales agreements of that company?

A. I did.

Q. Is this the exhibit you prepared?

A. It is.

Mr. Lange:

Mr. Examiner, I desire to have the exhibit identified.

Trial Examiner:

It may be marked Exhibit No. 64 for identification.

(The document referred to was marked as Exhibit No. 64 for identification.)

By Mr. Lange:

Q. Mr. O'Connor, will you briefly state the nature of this exhibit?

A. This exhibit is a comparison of various provisions of the agreements under which Interstate Natural Gas Company, Incorporated, sells gas to distribution companies and to pipe line companies, and transports gas.

It is divided into four parts. Part A deals with the rate schedules and gas sales agreements under which Interstate sells gas to distribution companies in Louisiana and Mississippi

Q. Distribution companies for resale?

A. For resale, yes, sir.

The term "distribution companies", as used in the exhibit, is as defined in Footnote 1 on page 2 of the exhibit, and includes private companies and municipal corporations which sell gas to ultimate consumers.

Q. Both in the States of Louisiana and Mississippi?

A. That is right.

Part B of the exhibit compares the provisions of the agreements under which Interstate sells gas to Mississippi River Fuel Corporation, Southern Natural Gas Company, and United Gas Pipe Line Company, for the account of Memphis Natural Gas Company.

Q. That is the group of contracts covering gas sold to those named companies to be transported out of the State of Louisiana by those companies?

A. That is right.

Part C of the exhibit deals with the two agreements between—well, it deals with more than two—it deals

with the agreements between Interstate and United Gas Pipe Line Company for sale and transportation of gas for the New Orleans market. Reference is made in Part C, on page 27 of the exhibit, to an agreement under which Interstate transports gas for United Gas Pipe Line Company to a point commonly referred to as Alto.

Q. In the State of Louisiana?

A. In the State of Louisiana, the gas being transported by Interstate from De Siard Station to Alto.

Part D is a list of agreements under which Interstate sells gas directly to ten consumers. It gives the names of the consumers and the location at which they take service. There are also shown the names of two direct consumers served by United Gas Pipe Line Company from the Lirette-New Orleans line, which is jointly owned by Interstate and United.

Q. That list is set forth on page 28 of the exhibit?

A. That is right.

Schedule No. 1 of the exhibit is really a part of Part A of the exhibit, and it shows the names of the distribution companies with which Interstate has sales agreements; and they are separated into two parts, those distribution companies served from the Company's pipe line running from Monroe Field to Baton Rouge, and those companies served by Interstate through the facilities of the United Gas Pipe Line between Baton Rouge and Destrehan.

There is also listed the agreement between United Gas Pipe Line Company and Norco Gas & Fuel Company for the sale of gas for distribution in St. Rose, Louisiana.

For each of the agreements there is indicated in Schedule No. 1 the service area of the distribution company under the agreement, the date of the agreement, the term or period of the agreement, and the rates in effect on June 1, 1942.

Q. Now the rate schedules and agreements that are included in Part B of the exhibit are set forth at pages 12, 13 and 14 of that exhibit, are they not?

A. Well, Part B runs all the way from the lower half of page 12 to the upper part of page 23.

Q. That is right.

Where did you obtain the information that you utilized in the preparation of this exhibit, what sources did you utilize?

A. I think that is stated right here in the second paragraph on page 1 of the exhibit. All of the agreements which bear a Federal Power Commission rate schedule number were filed by Interstate under Order No. 53, or subsequently under Part 54 of the Commission's Provisional Rules of Practice and Regulations under the Natural Gas Act.

Then the agreements for the sale of gas in the 6 communities north and west of the Mississippi River, which take gas from the pipe line before it crosses into Mississippi, were obtained from material filed by the Company with the Commission in connection with proceedings under Dockets Nos. G-181, G-144, G-145, G-146, and G-147.

Then from time to time during the investigation, the Secretary of the Commission requested information from the Company, by letter or otherwise, and it was supplied.

Q. When you referred to Dockets Nos. G-181, G-144, G-145, G-146 and G-147 as the source, the information there contained had been supplied by the Company in those Dockets?

A. I had available some bound volumes containing agreements filed by the Company under some sort of subpoena during that investigation.

Q. In those proceedings?

A. Yes.

Mr. Lange:

I believe that is all.

Mr. Dougherty:

If the Examiner please, since we have received a copy of Exhibit 64 we have partially checked the information contained therein against the contracts, but have not yet been able to complete it. Of course, the only question about the exhibit would be one of accuracy, or whether it represents all of the existing amendments and modifications of those contracts. I think that by Monday we will be able to check that, and I would suggest, therefore, that we merely delay any cross examination on our part until Monday. I don't know that there will be any. It will be purely a question of whether Mr. O'Connor has gotten everything in accordance with our present contracts.

Mr. Lange:

That will be agreeable to Commission counsel.

Trial Examiner:

Ruling is reserved on Exhibit 64.

By Mr. Lange:

Q. Mr. O'Connor, in connection with your work on this assignment in Docket G-149, did you have occasion to prepare another exhibit in connection with the determination of the cost of service performed by this Company?

A. Yes, sir, I prepared an exhibit showing the cost of service for the years 1938 through 1941, and an allocation of the cost of service for the year 1941.

Mr. Lange:

I desire to have that exhibit marked for identification.

Trial Examiner:

That will be Exhibit No. 65 for identification.

(The document referred to was marked as Exhibit No. 65 for identification.)

By Mr. Lange:

Q. Mr. O'Connor, will you turn to the exhibit? There are a number of blank spaces that originally appeared in the exhibit for the insertion of exhibit numbers. The first one appears at page 2?

A. Yes, sir.

Q. What are the exhibit numbers that should be inserted in the blank spaces of the printed text?

A. I think the exhibit numbers to go in there are 56, 59, 61, 62-A, 62-B and 63.

Q. Then further down in that same paragraph, at the end of the second paragraph on page 2?

A. I think the proper numbers are 56, 59 and 63.

Mr. Cooper:

Those all go in the one blank?

Mr. Lange:

Yes, the one blank.

By Mr. Lange:

Q. Is the next insertion at page 12?

A. No, sir, there is a number to be inserted on the last line of page 4; 63 is the exhibit number reference.

Q. And the next one?

A. On page 12, the second line. It should read Exhibit No. 49.

Q. Now, Mr. O'Connor, will you state how you went about the preparation of this exhibit, and what it sets forth?

A. Well, the exhibit sets forth the total cost of gas service rendered by Interstate Natural Gas Company, Incorporated, for each year of 1938 through 1941. It also presents an allocation of the total cost of gas service for the year 1941 between classes of consumers, and between customers served by the Company.

The data used in preparing the exhibit were obtained as indicated on pages 11 and 12. The volume data, showing annual volumes of gas sold and transported, were obtained from information prepared in connection with Exhibit No. 49. The financial data were obtained primarily from exhibits prepared and introduced in this proceeding by the accounting examiners of the Commission.

Q. I note that under sub-section B on the Table of Contents page, the statement appears that the cost of service covers the years 1938 to 1941. Is that December 31, 1941?

A. Yes.

Q. And then in the sub-section C, you state that the allocation of the cost of service is for the year 1941?

A. That is right.

Q. You took the calendar year 1941 for that study?

A. That is right.

Q. What is the basic method you pursued in the preparation of this study, this allocation of cost of service?

A. Well, I have included as cost of service all operating expenses, depreciation, depletion, exploration and development costs, taxes, and a return on a depreciated original cost rate base. The rate of return assumed is 6½ percent per annum. The rate base used for the purpose of the exhibit is—

Q. (Interposing.) That is the adjusted book cost as reflected in the examiner's exhibit presented in this proceeding?

A. Well, it is what I call the net adjusted book cost of plant in service, plus construction work in progress as of December 31, 1941, and plus working capital.

Q. And where is that final figure shown in your exhibit, is that on page 24?

A. The net adjusted book cost of plant in service as of December 31, 1941, is shown in column (4), line 60, on page 24 of the exhibit. The total construction work in-progress as of December 31, 1941, is shown in column (4), line 64, of page 24 of the exhibit. The working capital I don't think is specifically shown in the exhibit. It is as given in—

Q. (Interposing.) The exhibit presented by Mr. Rivers in this proceeding yesterday?

A. Yes, sir.

Trial Examiner:

Your rate base, then, was the sum of the amounts appearing on lines 60 and 64 in column (4) on page 24, plus the working capital?

The Witness:

Yes, sir. As I recall it, the working capital was $347,202. The working capital is shown in Exhibit No. 61. In my exhibit I merely show the result—I show the return on that working capital at the rate of 6½ percent per annum on page 27, lines 61 to 63.

Mr. Lange:

And what treatment of demand and commodity costs did you follow in the preparation of this exhibit?

The Witness:

Well, all the various operating expenses and other items of cost were first grouped together in various functional groups, and then classified as demand or com-

modity costs, based primarily on their predominant characteristics. The classification is shown on page 7, the basis of classification is shown on page 7 of the exhibit.

Trial Examiner:

You don't have a tabulation of those costs grouped in that manner?

The Witness:

Yes, sir. That is shown on Schedule 6, pages 21 and 22.

By Mr. Lange:

Q. What does the schedule at page 16 set forth, Mr. O'Connor?

A. Schedule No. 4, which begins on page 16, shows the annual volumes of gas sold or transported, the revenue received, the cost of service, the excess of revenues over cost of service, average revenue in cents per M. c. f., and average cost of service in cents per M. c. f., all for 1941; and it is broken down to show those figures for each pipe line company to whom Interstate sells gas for resale, and for each distribution company to which Interstate sells gas for resale.

The data for direct industrial customers are grouped, showing the totals for various groups of industrial customers.

Q. That schedule continues on to page 18, doesn't it?

A. Yes, sir.

Q. And at page 18, in line 75, you set forth the totals?

A. Yes, sir.

Q. Now in column (5) you have total revenue of $7,600,072.93. Is that the total revenue for the year 1941?

A. That is the total revenue as I have used it in this exhibit.

Q. For the purpose of the preparation of this exhibit?

A. Yes, it is not the total revenue shown in Exhibit No. 63 submitted by Mr. Rivers.

Q. In what respect does it differ?

A. The differences are explained in the upper part of Schedule No. 8, page 25.

Q. Will you explain the nature of the adjustments that you have made, and the net difference?

A. Well, the total revenues as shown in the accounting exhibit were as given on line 4, column (2), of Schedule 8, $7,572,405.96. And the total revenues as I have used them were $7,600,072.93.

In column (3) as shown there I have added $63,719.99 to the revenues, which represents the amount of Louisiana gas gathering tax billed to pipe line company customers.

Then over in column (4) there are shown three amounts which I have deducted from revenues as shown in the accounting Exhibit No. 63.

The first one, with the footnote (b)—$16,269.42—well, footnote (b) explains it, it is revenue from gas sold to Hope Producing Company in 1935 that was actually billed and paid for in 1941, and it doesn't belong in 1941 revenue for my purposes.

The second item—$768.94, represents an amount received from Southern Carbon Company and United Carbon Company for transportation or exchange of gas in the Monroe Field, and I have treated that as a deduction from Monroe Field expenses.

The last item in column (4), line 3, represents miscellaneous revenues which the Company received in the course of its operations in 1941, primarily rent of houses to employees, which I have treated as a deduction from expense, rather than a revenue.

Incidentally, in the lower part of that Schedule 8 there is another statement which is a reconciliation of

expenses, as shown in Exhibit 63 introduced by Mr. Rivers, and expenses as I have used them in this Exhibit 65.

Q. Then in column (6) at page 18, the figure in line 75 of $5,189,197.39 represents the total cost of service for the year 1941 as computed by you?

A. That is correct, on the basis of a 6½ percent return on the rate base used in this exhibit.

Q. Now what does the total of $2,410,875.54, appearing in line 75 of page 18, represent?

A. It is the difference between columns (5) and (6), line 75; or, as labeled, Excess of Revenue Over Cost of Service.

Q. For the year ending December 31, 1941?

A. That is right.

Mr. Lange:

I believe that is all.

Cross Examination.

By Mr. Dougherty:

Q Mr. O'Connor, while you are on this Schedule 8 at page 25, what is the transportation involved for the $768.94 shown in line 2 under column (4)?

A. It is an amount received from the United Carbon and Southern Carbon companies for accepting gas from them into Interstate's field line system, which gas is considered as part of the delivery to Interstate at some other designated point, and in effect Interstate charges them, I think it is 1/8 of a cent in one place and a quarter of a cent in another, for—I wouldn't call it transportation or exchange, they accept it in one place and consider it as delivered at another place.

Q. It is really a payment which they make to Interstate in the way of a differential because they don't deliver gas at the originally designated point?

A. That is right. I think it is accounted for on the books as though it was a transportation revenue.

Q. It is, in effect, the same as though Interstate paid them just that much less per M. c. f. for this particular quantity of gas?

A. That is right.

Q. And as you say, it is not gas that is taken by Interstate from either Southern Carbon or United Carbon and delivered to some other company. It is gas that Interstate takes into its own system in the field?

A. It is all mixed up in the field line system.

Q. And it purely arises because, as you say, there is a difference in point of delivery from the gas that is delivered generally under their contract?

A. Yes.

Q. In making your allocation of costs, Mr. O'Connor, as I understand your method, particularly on that portion on page 6, you have divided the operations of Interstate into 6 groupings, which you refer to as functional groupings?

A. Yes, sir.

Q. And the first three of those, that is, Divisions 1, 2 and 3, each relates to the production of gas?

A. Yes, sir.

Q. Now in respect—

A. (Interposing.) Production or purchase.

Q. Or purchase?

A. Yes.

Q. Then Divisions 4, 5 and 6 relate to the main line transportation, either by Interstate or the movement of gas to Interstate's customers by United Gas Pipe Line Company, or in this joint pipe line that runs to New Orleans?

A. That is right.

Q. I mean it involves transportation?

A. Yes.

Q. In arriving at your costs with respect to the Monroe Field, do you take all of the costs that relate to all of the property in that field and assign them to that functional division?

A. Do I take all of the property—

Q. (Interposing.) All of the costs that relate to all of the property in the Monroe Field, I will say excluding the De Siard Compressor Station and lines T-1 and T-9, which are still up in that general area?

A. I believe so.

Q. So, as I understand it, you have in your method worked out a cost of production for the Monroe Field that includes all of the cost relating to the wells, and all of the field lines, concerning which we have had a lot of discussion here, that is, all of the field lines as shown on the Company's books as such—

A. Yes.

Q. (Continuing.) —are included in these costs which you allocate to production in the Monroe Field?

A. That is right. Where I have used the term "production operating expenses", it is the terminology used in the Commission's Uniform System of Accounts.

Q. You don't attempt to make any differentiation between the expense in connection with operating the wells and bringing the gas just to the well head, and the field operations, you lump all of that together?

A. That is right.

Q. Then you follow the same method, do you, on Division 2, which is University, La Pice and La Place?

A. Yes.

Q. Of course, we don't own any wells there—

A. (Interposing.) I have taken all the costs of gas purchased in those fields, plus your own expenses which I have allocated to that, and called that the cost of gas purchased in those three fields.

Q. Then with respect to your Division 4, which you call Main line to Baton Rouge, does that include the De Siard Compressor Station and the line T-1 and the line T-9, and other designations with "T" designations down as far as Baton Rouge?

A. That is true.

Q. In Division 5, what do you include? That is the portion you mark Baton Rouge to Destrehan.

A. What property do I include?

Q. Yes.

A. The pipe lines, measuring stations, and telephone system, that you have for service between Baton Rouge and Destrehan.

Q. That relates to the customers served in that area by Interstate, with gas which is transported from Baton Rouge to each particular place where Interstate takes it from the United Gas Pipe Line Company?

A. Yes.

Q. And it would be the facilities of Interstate that are used in making those deliveries there?

A. That is right.

Q. Now does Division 6 include all of the property involved in this line from Lirette and La Fitte, that is, outside of the fields themselves?

A. It includes all the property involved in those joint operations on the La Fitte-Marrerro and Lirette-New Orleans lines.

Q. Is there any property in the fields which serve that line, which you show for Division 3 on page 7, that is involved, or is it purely just a purchase expense?

A. The Company may have some small field lines, but I don't think they have anything of any significance on the Lirette system. I don't think there is anything on the La Fitte.

Q. I guess you show it on page 19 of your exhibit, there under column (5), headed, "Jointly Owned Lines"; that is the expense for this Division 3, is it not?

A. What page?

Q. Page 19 of your exhibit.

Q. That is the amount of money paid for gas purchased.

Q. And that is the whole cost that is involved in that Division 3?

A. As far as Interstate is concerned, yes.

Q. I meant in your cost allocation.

A. Yes.

Q. Now after having separated the operations in these 6 different functional divisions, as I understand your exhibit you then regrouped the operations into four groupings, which are shown on pages 5 and 6?

A. That is right.

Q. So I will understand it, if you will refer to Group 3, which is operations between Baton Rouge and Destrehan, is that a combination of your functional division 2 and your functional division 5?

A. That is right.

Q. So that what this grouping is, is more or less a geographical grouping of the previous functional divisions that you have set up?

A. That is correct.

Q. Am I correct in assuming that in making your determination of costs, you have used a principle or set of principles which involves the consideration of the demand which each customer makes on the pipe line on a maximum day?

A. I have allocated demand costs on a peak responsibility.

Q. Now the first step in making your allocation, as I understand your exhibit, is that you started to allocate, as explained on page 7 under Section E, by allocating certain costs to these functional divisions. Is that the first step?

A. Yes, that would be the first step.

Q. Now with reference to the allocation of production operating expenses, you state there that all of the items having to do with the operation of the wells, and that is all of the gas wells of the Company, were assigned to Monroe Field divisions, and that that is because the Company's gas wells are all located there, is that correct?

A. That is what I state, yes, sir.

Q. Now is that done because the operating expenses in question relate directly to those particular pieces of property there, that is, the operating expenses are incurred in respect of the property that is there in that field?

A. I should say that that is the reason for it.

Q. Now then, when you get to the question of the expenses of field lines, you say you allocate those between Divisions 1 and 2 in proportion to the average adjusted book costs of the field line. Might I inquire whether that is net adjusted book cost?

A. No, sir, it is gross.

Q. That is gross?

A. Yes, sir.

Q. And can we assume that wherever you have used the phrase in here, "average adjusted book cost", it is gross?

A. That is right.

Q. And wherever you have used the net book cost, you have the word "net" in there?

A. That is right.

Q. Now explain why you allocate your cost of operating field lines in proportion to the cost or gross investment in those field lines?

A. Well, the costs are allocated between Divisions 1 and 2 in proportion to the gross costs, excluding rights-of-way. That assumes that the cost of operation is approximately proportional to the investment, within reasonable limits.

Q. I assume that the Company's books do not show any direct division of expense actually incurred on the field lines in Division 2, that is, the University, La Pice and La Place, so that you couldn't pick it out directly?

A. I didn't analyze the books in sufficient detail to determine whether that was true or not; it may be possible that an analysis, voucher by voucher and time ticket by time ticket, might show the figures exactly as between the two divisions, but I didn't go into that detail.

Q. It is your judgment that for all practical purposes the amount of money spent in operating these sets of field lines in the two divisions, Divisions 1 and 2, can fairly be said to follow the investment in each of those fields?

A. That is right.

Q. Now you followed that same principle, I take it, with respect to operating expenses on field measuring and regulating stations?

A. The same general principle.

Q. You again figured that for all practical purposes, the costs expended in operating these facilities can fairly be said to be apportioned in respect to the investment or cost?

A. That is correct.

Q. Now when you come to allocate the cost of superintendence, you do that in proportion, you say, to the total operating labor previously allocated?

A. Yes, sir.

Q. And I take it that is because the superintendence relates to superintending the labor?

A. I think the superintendence as Interstate uses it relates both to operating labor and maintenance labor, but I didn't have any information as to what the maintenance labor division was, so I used operating labor.

Q. But the point I am getting at is—superintendence having to do with supervising the labor, you deemed it fair to take the divisions of labor costs?

A. That is right.

Q. And then put superintendence in that same proportion?

A. That is right.

Q. Now when you came to allocating the transmission operating expenses, you have assigned the compressing station expense all to Division 4, as shown on page 8, which is the main line from De Siard Compressor Station to Baton Rouge?

A. That is correct.

Q. And I assume that that is because that is where those compressor stations are located?

A. That is right.

Q. Now other operating expenses of the transmission lines, you state were allocated in proportion to the average adjusted book costs?

A. That is correct. The same procedure was followed as on the production, the same general principle.

Q. And there you felt that the property base furnished the best means of allocating the money spent in operating and maintaining that property?

A. I felt that it was a reasonable basis for allocating it.

Q. I mean, that is where the money is spent in operating and maintaining that property. Therefore, the adjusted costs of the respective properties might fairly be used as a guide to the division of those operating and maintenance costs?

A. That is correct.

Q. Now with respect to general and administrative expenses, what does the general and administrative expense consist of?

A. Oh, it includes the salaries and expenses of officers and general office employees, rents, insurance, legal services, telephone system operation and maintenance, and operation of automobiles and trucks—those are the primary amounts.

Q. Well, in general it is the sort of expense that is incurred in the over-all operation that is not limited specifically and definitely to either production or to transmission in such a way as you can directly allocate it, as you can where the actual expense of operating and maintaining a transmission line is involved, for example.

A. Yes, most of these administrative and general expenses are applicable to several operations.

Q. For example, the salary of the manager would be included?

A. That is correct.

Q. Included in this, and that would represent his services over the whole operations of the Company?

A. That is correct.

Q. Now you have assigned to Division 4, which is the main line from De Siard to Baton Rouge, certain of these general expenses as recited at the top of page 9?

A. Yes, sir.

Q. And I take it that that is because you felt that those particular items of general expense did primarily relate to that main transmission line?

A. Well, on Workmen's Compensation Insurance, as I understand it, the Company carries that insurance regularly on its employees in Mississippi, which is on the main transmission line; and on operations in Louisiana, Workmen's Compensation Insurance is only carried on major construction work. So I decided that most of the Workmen's Compensation Insurance was applicable to the main line between Monroe Field and Baton Rouge.

Now I decided also that as far as this insurance was concerned, most of it was on the compressing stations.

The telephone system, of course, is—there is a part of the telephone system in the Monroe Field and there is part down the line on these branch lines off United's line, between Baton Rouge and Destrehan, but I decided that such a large part of it represented expense on the

main line between Monroe Field and Baton Rouge, that for the purpose of this allocation it would be reasonable to put it all against it.

Then on this maintenance of general structures, as the Federal Power Commission examiners have revised the accounts or adjusted the accounts, the only item left in general structures was a house at Alto, I believe, occupied by a telephone lineman. So I said that that belongs as part of Division 4.

Q. You were able, with respect to these specific items of general expense, to more or less concentrate them and tie them in with that main line operation?

A. That is true.

Q. That is, they were really expended in connection with the operations of the main line?

A. Correct.

Q. The boats that you refer to here, I suppose those are used when Ouachita River and other tributary streams are at flood in the field?

A. I understand from Mr. Banks that he has to use boats all the time.

Q. Now the rest of the general and administrative expenses you have allocated 50 percent to production operations and 50 percent to transmission. Why did you use a 50-50 relationship rather than, say, a 25-75 or 40-60?

A. Well, I allocated these expenses, these remaining expenses, first on the basis of direct charges excluding the cost of purchased gas and the cost of transportation of gas. And it resulted in such a small percentage of the general and administrative expenses being charged to production operations that I decided that that wasn't fair. Considering the fact that the Company buys over a million and a quarter dollars worth of gas a year from several different producers, and that it sells large volumes of gas to three pipe line companies, and we have had a discussion here about the dispatching and quotas

and things like that, which shows that there is a fair amount of expense involved in handling those sales, and then I know that when a company owns leases in the field it has always got to look out for a great deal of matters involving rights, rentals and taxes, and everything else,—so I decided that the amount of general and administrative expenses allocated to production operations on the basis of direct charges did not represent the fair charge to production operations.

Then I thought about it some more, and I decided that the 50-50 gave a pretty reasonable break-down.

Q. When you say that in your first approach to this you had allocated them on the basis of direct charges, what were those direct charges? That is, in general what items were they?

A. It was the same as though I had spread these general and administrative expenses pro rata over all other expenses, excluding these.

Q. And as it turned out, or as it—

A. (Interposing.) And excluding this gas purchased and gas transported by United.

Q. And it turned out that because there are a great many more dollars spent in the operation and maintenance of the transmission system than in the field, that that resulted in a very small percentage of your general and administrative going to the field costs?

A. That is right.

Q. You felt that there was a lot of activity there that was not represented by actual direct operating and maintenance expense incurred in the field operations?

A. Yes, sir.

Q. With respect to depreciation and depletion, you say that you assigned those directly to these functional divisions from Schedule 7?

A. That is correct.

Q. Will you turn to Schedule 7?

A. Yes, sir.

Q. That is on page 23, I believe?

A. Pages 23 and 24.

Q. Now lines Nos. 1 through to 16, as shown there, cover total production plant—Monroe Field, is that correct?

A. That is correct.

Q. And that is what you have referred to as functional Division 1?

A. That is correct.

Q. So that, on the basis of the annual depreciation and depletion as computed in other exhibits by other examiners, you were able to take those amounts directly and put them in the costs assigned to the Monroe Field operations, that is, you didn't have to do any allocating there?

A. No, I think I explained in the written statement how I got this Schedule 7. Having this schedule, I just assigned those figures as you state.

Q. In other words, these figures shown in column (5) on page 23 are actually the annual accruals of depreciation and depletion as set up by the Commission examiners in these other exhibits?

A. That is right.

Q. And you can just go right to those and find exactly what amount of depreciation is assigned to the field lines, and what depreciation or depletion, whichever way it is computed, is assigned to gas wells, and so forth?

A. I don't think you can get all this detail from their exhibits.

Q. Well, by that I mean—

A. (Interposing.) The totals can be obtained.

Q. If not from their exhibits, the underlying working papers will contain that?

A. That is right.

Q. And these would be exactly the amounts that would be set up for annual depreciation and depletion if these rates as set forth in the staff exhibits were used?

A. That is correct.

Q. What I have in mind is that you didn't have to exercise judgment or allocation there, you took exactly what the percentages bring out against that property?

A. Something like that.

Q. And that would be true, would it not, with respect to these others, that is, you show here on page 23, line 17 to line 22,—that is functional Division 2 of your groupings?

A. That is right.

Q. And then those shown in lines 24 to 34, that is functional Division 4?

A. That is correct.

Q. And on the next page, page 24, lines 35 to 39, that is functional Division 5?

A. Right.

Q. And then lines 40 to 47 are Functional Division 6?

A. That is correct.

Q. And we don't have any functional Division 3 because we don't have any property in the Lirette and La Fitte Fields?

A. That is right.

Q. And you were able to pick up depreciation on the main transmission line and the other functional divisions, in the same way I have just discussed with you with respect to the production system?

A. That is true.

Q. Now with respect to depreciation on general plant, what method did you use in allocating that?

A. As indicated on page 9 of the exhibit, the annual accruals for depreciation of general structures and improvements, communication equipment (excluding the communication equipment on the Lirette-New Orleans

line), and construction overheads on general plant, were assigned to the main line, Division 4. That is similar to the procedure followed in allocating general and administrative expenses.

Annual accruals for depreciation of the remaining general plant accounts were allocated on the basis of average adjusted book cost of plant in each functional division, omitting Division 6, the jointly owned transmission lines.

Q. So there you used property, that is, cost of property, as a basis for dividing the depreciation on general plant?

A. That is true.

Q. Now with respect to taxes, your corporation franchise taxes, you say you allocated those on the basis of adjusted net book cost?

A. Yes, sir.

Q. Was there any reason for using net book cost here as distinguished from gross, or does it just happen to be a coincidence?

A. No, there is a reason. It wouldn't have made much difference which I used, but I believe I used the net because the franchise taxes had to do with stock, surplus, and I decided to split it up on the basis of net. I just can't think offhand right now why I did. I could refer to the working papers and might get an inspiration.

Q. I don't think it is important. These corporation franchise taxes are the ones paid to the State of Louisiana and the State of Mississippi, say?

A. Delaware, also.

Q. Yes, whatever taxes are paid for the right to continue to exist and operate as a corporation?

A. That is right.

Q. That is, they are not property taxes in any sense?

A. No, sir.

Q. You did, however, use cost of property as the basis of dividing that between these various functional divisions?

A. That is right.

Q. Now with property taxes, since certain of those property taxes are shown on the books as applicable to the field and the main line, you took those, of course, as they are actually paid?

A. That is right.

Q. And taxes that are paid, property taxes that are paid to the State of Louisiana with respect to property in the Monroe Field, were allocated or assigned by you to Division 1, that is, the Monroe Field?

A. I didn't go into that detail. I took the total taxes which the Company showed as applicable to field property and I didn't investigate to find out exactly how much of that was applicable to Monroe and to the other fields south. I just took the total tax, representing the tax on Monroe and those other fields, and split it in proportion to the net book cost of plant in those two divisions.

That assumes, of course, that the tax rate in those Parishes is the same and that the assessment is the same percentage of net book cost.

Q. In the first instance, you could determine the field taxes that were applicable to both Divisions 1 and 2 from the Company's books?

A. That is true.

Q. That is, you didn't have to do any allocating in that step?

A. No.

Q. That was a direct application?

A. The amount which would be applicable to those southern fields is such a small part of the total that I didn't think it worth going into a detailed analysis of the tax statements.

Q. Now you were able to pick off of the Company's books the total taxes applicable to the main line and to the properties between Baton Rouge and Destrehan?

A. Well, as I understand it, the term "main line" is used to indicate all property from the Monroe Field to Destrehan.

Q. And that lump sum, though, you could take that right off the Company's books?

A. That is true.

Q. And then when you wanted to allocate that lump sum of taxes paid, you did that on the basis of cost of that portion from De Siard to Baton Rouge and that portion from Baton Rouge to Destrehan?

A. Based on the net adjusted book cost.

Q. Was there any reason for using net adjusted book cost here as distinguished from gross for your allocation fraction?

A. Yes.

Q. What was that?

A. I don't quite understand the last part of your question.

Q. I say, was there any special reason why you used net adjusted book cost in determining this proportion as distinguished from using gross book cost?

A. Well, with regard to taxes, I have assumed that the taxing authorities tax the property on its depreciated value.

Q. So—

A. (Interposing.) So it is proper to split it on the net adjusted cost.

Q. Because you think that the tax is based on the net adjusted cost rather than on the gross cost?

A. Well, I assume that the taxing authorities assess the property on the net value.

Q. Mr. O'Connor, I take it you didn't make any inquiry of the taxing authorities as to what methods they

used in valuing the property, the pipe line property, for taxation purposes?

A. No, sir.

Q. That is, when you say you assumed they used the net value, that was purely an assumption?

A. That is true. The total amount of taxes that could be allocated to this property south of Baton Rouge is such a small proportion of the total taxes that I didn't consider it worth while doing any detailed investigating.

Q. Now with respect to your Federal income taxes, your Federal capital stock taxes and Louisiana income taxes, you say you used the same method as you did with respect to return on the rate base?

A. That is right.

Q. Now with respect to the return on the rate base, as between production and transmission plant you were able to assign that directly without allocation, I take it, from Schedule 7?

A. A large part of it, yes.

Q. Now to start out with, for example, turning again to Schedule 7, page 23, part of the return at 6½ percent on Division 1, that is the Monroe Field operations, is shown there in line 16, column (6), is it not?

A. That is true.

Q. And that is made up of the application of 6½ percent to the net adjusted book costs of these various items of property which you have listed there under Natural Gas Production Plant—Monroe Field?

A. Column (4) of that same statement.

Q. So that as far as determining the return on the Monroe Field operations, you could assign that directly?

A. That is true.

Q. And that is also true, is it not, with respect to the production plant in the University, La Pice and La Place Fields?

A. That is true.

Q. And likewise with respect to the transmission plant, to Division 4 and also Division 5 and also Division 6?

A. That is true.

Q. So you didn't have to allocate return there, it was represented directly with respect to the property itself?

A. That is true.

Q. Now you took certain portions of the return on general plant accounts and assigned those entirely to the main line costs, De Siard to Baton Rouge, just as you have assigned certain other general expenses?

A. Similar to the handling of depreciation and some of the general and administrative expenses.

Q. And the same reasons that you gave before, I take it, would apply here, that is, those things you felt related directly to the transportation from De Siard to Baton Rouge rather than to some other portions of the Company's operation?

A. Related either directly or almost entirely, so that I felt it was reasonable to follow the procedure I did here.

Q. Now with respect to other general plant accounts and return on those, I observe that you used net book cost with respect to those, to divided them between the various divisions except Division 6?

A. Yes.

Q. And there you used property cost for your proportion factor?

A. That is true. I did about the same thing in handling depreciation—

Q. (Interposing.) Going back to the taxes I mentioned a moment ago, the Louisiana and Federal income taxes, excess profits taxes, and Federal capital stock taxes, were you able to pick those out directly as you do return, or did you allocate those taxes on the same proportion as your return comes out in its allocation?

A. After I had allocated the return, including the return on plant in service and construction work in progress and working capital, I had a distribution of that return, and I determined the percentage of the total return applicable to each of those 6 so-called functional divisions, and I allocated Federal capital stock tax, Louisiana income taxes and Federal income taxes in proportion to those percentages.

Q. Now so I will have that clear in my own mind, the total return at 6½ percent as shown in this exhibit, is that on line 60, page 24, plus line 64?

A. No, it isn't. You have to add onto that the return on working capital. The total return is shown on page 27. There is the amount of $978,784.53, and $11,605.77, at page 24. And then the return on working capital—$22,568.13.

Q. I take it those, added up, amount to the return on the total rate base which you show on page 13, of $1,012,958.43 opposite line 22?

A. That is right.

Q. Well now, assuming that—for example, the return on the transmission plant, main line to Baton Rouge, is shown as $572,572.78. Then that roughly is about half the return, or a little less than half, but just for the purpose of my question let's assume that it was half the return. Then would you assign half of this group of taxes to this same property grouping of main line to Baton Rouge?

A. Yes.

Q. That is, after you got your total return you could determine what portion of that total return is represented by the return on Monroe Field, and on the main line, and the other functional divisions?

A. Yes.

Q. Then you spread this group of taxes exactly in accordance with those proportions?

A. That is right.

Trial Examiner:

We will take a recess of five minutes.

(Whereupon, a five-minute recess was taken.)

Trial Examiner:

Counsel for the Company may resume the cross examination of the witness.

By Mr. Dougherty:

Q. Mr. O'Connor, after you had gotten through this determination of cost by these functional groups, then I take it you worked them out on the basis of these four groupings as shown on page 5 and page 6?

A. Yes, sir. I assembled all the costs into those four groups.

Q. Now referring to the costs of gas produced and purchased for the Monroe Field—which I believe is shown on Schedule No. 5, pages 19 and 20?

A. Yes, sir.

Q. When you get down to the bottom of page 20, as I understand your exhibit you show there, under line (3), the dollars which show the total cost of producing and purchasing gas in the Monroe Field?

A. That is in column (3)?

Q. Column (3), yes. One item being that excluding taxes, certain taxes, and another including certain taxes.

Now then, did you relate or reduce that gross cost of gas produced and purchased in the Monroe Field, to a unit price or a unit basis?

A. Yes, I reduced it to a unit basis on the annual volume of gas sold that was produced and purchased in the Monroe Field.

Q. Now in arriving at that cost, that is, the cost of gas produced and purchased in the Monroe Field, did you give any consideration to demand or load factor that

is caused by the demand that maybe the different customers of Interstate, which get gas from Interstate in the Monroe Field, have?

A. I will say that I gave it consideration, but there is no effect in here.

Q. You didn't reflect it?

A. That is right.

Q. So that when you arrived—I take if that the figure you have arrived at, as shown on page 16, is 4.66 cents per M. c. f.?

A. That is correct.

Q. And that represents, according to your computation, the average cost incurred by Interstate, including return, of each M. c. f. of gas which it has available from the Monroe Field, either from production or purchase?

A. That is true.

Q. You didn't attempt to determine whether the Mississippi River Fuel Corporation, in taking gas from Interstate, caused any greater demand on Interstate's production system than did Southern Natural Gas Company, for example?

A. Any greater demand?

Q. Maximum day demand, I should say.

A. Well, I have all the figures on the demands—

Q. (Interposing.) I mean you didn't reflect it?

A. It isn't reflected in the exhibit.

Q. In making your computations, you disregarded any of the demand or load factor elements?

A. That is true.

Q. Now I take it you treated that Monroe Field as a unit, and in effect you are considering that the Monroe Field delivers gas to the main transmission line of Interstate at De Siard, and to Mississippi at Perryville, and to Southern Natural at Perryville, and to United Gas Pipe Line Company at the Memphis Station?

A. That is true.

Q. So that in effect, the field is serving four places of delivery, or four points of delivery?

A. That is right.

Q. And this determination of cost per M. c. f., then, is entirely on the commodity basis?

A. That is right.

Q. That is, where you have mentioned in your exhibit on page 7 under Section 3 with respect to classification of costs, you speak of one classification being demand costs and the second one being commodity costs, and what I want to be sure of is that with respect to the Monroe Field and the cost of gas produced and purchased, and then available for sale in that field or delivery to De Siard Compressor Station, you have done that entirely on that commodity basis?

A. That is right. I considered the commodity basis a reasonable basis for the Monroe Field.

Q. You used the demand factor only in considering sales from or transportation through the main pipe line from De Siard south, and then whatever else is south of Baton Rouge?

A. That is correct.

Q. Now when you start in to determine the costs of gas sold by Interstate from this main pipe line, I assume that with respect to each M. c. f. there would be included this average unit price of 4.66 which you have arrived at as the average cost in the Monroe Field?

A. For sales from the main pipe line?

Q. Yes.

A. Well, not quite that, because I have included the gas delivered to Gulf States Utilities Company at Baton Rouge as part of the main line supply, and all the customers served from the main line between Monroe Field and Baton Rouge are charged at an average rate representing the weighted average of Monroe Field gas and University Field gas delivered to Baton Rouge.

Q. That would be something a little les than 4.66?

A. It is very slightly less than that, not much.

Q. I think the testimony of Mr. Jones was that the wellhead price is 4 cents; and then there is a gathering tax, I think, of half a cent, isn't that correct?

A. That is true, and on that you have got to add return and other operating expenses of Interstate.

Q. So you would come pretty close to 4.66 for the cost of gas at the University Field?

A. That is true.

Q. Maybe above it, I don't know.

A. I don't recollect, it may possibly be that.

Q. What I am getting at is this, that with respect to gas sold from the main transmission line, you charge that an M. c. f. price as a part of the cost in the first place?

A. That is true.

Q. On Schedule 6, both sheets 1 and 2, being pages 21 and 22 of your Exhibit 65, you show the division that you make between commodity costs and demand costs?

A. That is true.

Q. And this is all related to transmission line?

A. All related to transmission, yes.

* * * * * *

(Witness excused.)

Mr. Lange:

I move the admission of Exhibit 65.

Trial Examiner:

Is there any objection to the admission of this exhibit?

Mr Dougherty:

I have no objection, although I don't want it to be assumed that I am agreeing with everything that is in the exhibit. I admit its competency as admissible evidence, but its probative value may not be so high, in my opinion.

Trial Examiner:

Exhibit 65 is admitted in evidence

(Exhibit No. 65 was received in evidence.)

* * * * * *

TESTIMONY OF FRANK H. LERCH, JR.

Q. The question was asked you, Mr. Lerch, by Mr. March, with respect to the approval of the amended contract with Southern Natural Gas Company, as to whether or not the Interstate Natural Gas Company Board of Directors had passed upon and approved that contract, and if so, whether Mr. von Phul voted at that time. Have you made an inquiry as to that from those in charge of the secretarial records or minutes of the Company?

A. I called up the New York office, and asked them to search the minute books and see if that had been the procedure or if there was any reference in the minutes to the approval of that contract, and they advised me on the phone that there was no reference in the minutes to the new Southern Natural contract. I have not checked the minute books myself.

Q. In the making of these contracts for the sale of gas, have you considered it within your executive authority to make them without specific approval from the Board of Directors?

A. I do consider it so. I discuss them with the Directors at meetings, and so forth, but it is the custom not to make a formal minute of all the matters discussed at the meetings.

Q. You make the contracts and then advise them of what has been done so that they will know, and keep up in that way with the business?

* * * * * *

Q. Mr. Lerch, in the original cost exhibit of Mr. Magruder's there have been listed under the head of Production System a number of the field lines of the Company which bear the designations F-1, with many other numbers, that is, consecutive numbers although not entirely consecutive, and Mr. Magruder in his testimony said that he had taken those particular field lines as recorded on the books of the Company and as designated by the books, and had placed them in Natural Gas Production Plant. Do you recall hearing him so testify?

A. Yes, I think I heard that.

Q. In the operation of Interstate Natural Gas Company over the period of years which you have been connected with it, have any of those field lines been considered as part of the main transmission system of the Company?

A. No, they never have been so treated in any way.

Q. As an operating matter, what are the terms used, and that have been used by you in the operation of the Company, in describing the different portions of the production system?

A. Well, we talk about the gathering system and the transmission system and the compressor station department being part of the transmission system.

Q. With respect to the wells, do you give any separate designation to those?

A. We call them just part of the field properties.

Q. Have you, then, at all times in the operation referred to this group of lines, of which I am speaking, as the gathering system of the Company?

A. Yes.

* * * * * * *

Trial Examiner:

Is there any objection to Exhibits 8 to 30, both inclusive? (No response.) Exhibits 8 to 30 inclusive are admitted in evidence.

(Exhibits 8 to 30 inclusive were received in evidence.)

* * * * * *

JAMES V. O'CONNOR, having been previously sworn, resumed the stand and testified further as follows:

Cross Examination (Resumed).

By Mr. Dougherty:

Q. Will you proceed, Mr. O'Connor, with a description of the various corrections which we have agreed upon should be made to Exhibit 64?

A. On page 12, in the second paragraph, second line, it would clarify the text somewhat if the words "of June 1, 1937" were inserted after the word "agreement".

On page 13, in the fourth paragraph, line 3, I state: "Rate Schedule FPC No. 14, an agreement dated October 1, 1933, under which Interstate sold gas to Southern Natural Gas Corporation and its Receivers was superseded * * * by Rate Schedule FPC No. 24".

It has been called to my attention that Article 1 of the agreement, dated April 1, 1941, between Interstate

Natural Gas Company and Hope Producing Company, as sellers, and the Southern Natural Gas Company as the buyer, states as follows:

"Said two agreements between Seller and said Southern Natural Gas Corporation and its Receivers, dated as of October 1, 1933, shall be and the same are hereby revised, altered and amended so that from and after the effective date of this agreement, determined as provided in Article 23 hereof, and subject to the provisions of said Article 23, this Agreement shall constitute the entire Agreement between the parties hereto covering all matters dealt with in said two Agreements of October 1, 1933, arising after the effective date of this agreement."

That is the exact wording of the agreement and as I understand it now, FPC No. 24 does not supersede FPC No. 14, but revise, alters and amends it.

In the second paragraph on page 15 the statement is made that Interstate and Hope have an oral understanding under which Hope is to deliver as much gas as it can under the three agreements under which Interstate and Hope are, shall I say, joint sellers, but that Hope's percentage shall not exceed one-third of the gas sold by both companies.

The agreement between the two companies is oral, and the information that I have there on page 15 is based on information supplied by Mr. Lerch, which I am now advised is not exactly correct, that with respect to the deliveries to Mississippi River Fuel Corporation and the United Gas Pipe Line for the account of Memphis Natural Gas Company, Hope is limited to one-third of the total deliveries by both Interstate and Hope, but for Southern Natural Gas Company, Hope's first amount is 1.25 per cent of the total amount of natural gas sold to Southern by the various suppliers including Interstate

and Hope, United Gas Pipe Line, Southern Carbon, United Carbon, and of that gas delivered by Southern Natural Gas Company itself from the fields west of Monroe Field. And then in addition, Hope is entitled to deliver one-third of the total amount delivered by both Interstate and Hope, excluding that aforesaid amount.

On page 16, under sub-paragraph c., the second paragraph under there, there is the statement made that, "After public hearings, by order dated April 20, 1940, the Commission disallowed the proposed increase in rates" charged by Interstate to Mississippi River Fuel Corporation.

I have beeen advised that by a subsequent order the Commission set aside its order of April 20, 1940, disallowing the proposed increase.

On page 19, under sub-paragraph d., the second line, I state in parenthesis that the adjustment for severance tax under the agreement with the United Gas Pipe Line for the account of Memphis Natural Gas Company is .18 cents per MCF. I took that figure from reports for the year 1941. I assumed that the severance tax had not been changed from 1941 to June 1, 1942, but Mr. Cooper says that Mr. Wilenzick says that the adjustment is now .21 cents per MCF.

On page 26—

Mr. Cooper:

(Interposing.) Isn't the next one on page 21?

The Witness:

Oh, yes.

On page 21, under sub-paragraph c, there is a statement regarding the adjustment of rates to Southern Natural Gas Company for increases in taxes above two-tenths of a cent per MCF. The contract contains a provision which in effect limits the additional amount which

Southern Natural Gas Company will pay Interstate for this tax adjustment, to one cent, because if the tax goes above one cent Southern has the right to notify Interstate that it is going to reduce its purchases, and then Interstate may agree to absorb the excess of one cent in order to continue to deliver the same quantities of gas as it had heretofore. So in effect the one cent is more or less of a stopper.

Mr. Cooper:

And that modifies the two words "any excess"?

The Witness:

To that extent, yes.

On page 26, in the second paragraph there under subparagraph 4, that is not worded very clearly. The idea is that for the total amount of gas required for the New Orleans market first there is supplied gas from the southern Louisiana fields; then of the remainder the United Gas Pipe Line Company is to supply the first 35,000,000 cubic feet a day, on the average; and of the excess, Interstate is to supply 75 per cent over the 35,000,000 a day. Actually the agreement specifies that Interstate is to supply 75 per cent of the excess over 35,000,000 cubic feet a day delivered to DeSiard for transportation by Interstate to Scotland, but included in the contract under that definition is the gas from the University, LaPice and LaPlace fields, which goes into the main line.

In this paragraph that I am discussing, I tried to state in general terms what the effect of the thing was, and I didn't do it very clearly apparently.

In that same Par. 4 on page 26, in the fifth line of the second paragraph under that Section 4, the words "Interstate's 50 per cent share of" should be deleted because the entire amount of gas brought up from the

southern Louisiana field is considered as being subject to the transportation agreement.

On page 29, For Rate Schedule FPC No. 22, the Town of Centreville, the termination date of the agreement should be changed from January 1, 1950 to November 7, 1949.

I believe that is all.

Trial Examiner:

Does counsel for the Company have any further questions of this witness?

By Mr. Dougherty:

Q. Mr. O'Connor, what you have done in this Exhibit 64 is to make a summary of the various schedules and of the important parts of those schedules?

A. That is right, I have left out a great many provisions that have to do with more or less strictly legal considerations.

Q. And for any complete and full check as to those, the contracts which have been introduced in evidence would be the source to which one must go?

A. Yes, of course the contracts are the final evidence.

* * * * * *

Trial Examiner:

Is there any objection to Exhibit 64?

Mr. Dougherty:

None on our part.

Trial Examiner:

Exhibit 64 is admitted in evidence.

* * * * * *

TESTIMONY OF FRANK H. LERCH, JR.

Cross Examination (Resumed).

By Mr. Lange:

Q. Mr. Lerch, I think on the first day of the hearing your attention was directed to the form of stipulation that was entered into prior to the time of the construction of the Mississippi River Fuel Corporation?

A. As contained in a Federal Trade Commission Report?

Q. Yes, as contained in Federal Trade Commission Report, Document No. 92, Part 82, pages 847 through 851.

A. That is right.

Mr. Lange:

We have had copies of those pages made and we desire to offer them for the record.

Trial Examiner:

The document described by counsel will be marked for identification as Exhibit No. 89.

(The document referred to was marked for identification as Exhibit No. 89.)

Trial Examiner:

Is there any objection to Exhibit 89?

Mr. Dougherty:

Mr. Lange, you have compared it with the original text, have you?

Mr. Lange:

Yes, but if there should be any corrections to be made they may be made later. We have had it compared and believe it is an accurate copy.

Mr. Dougherty:

We have no objection to its use and I will accept Mr. Lange's statement as correct. If we find any errors we will bring them to his attention later.

By Mr. Lange:

Q. You have stated that you are President of the Mississipi River Fuel Corporation?

A. Yes.

Q. This plan under which Mississippi River Fuel Corporation was to organize and under which a line was to be constructed, was finally carried out and the line was built?

A. It was.

Q. And it is in operation?

A. It is.

Q. And Mississippi River Fuel Corporation is one of the pipeline companies to whom Interstate Natural Gas Company sells gas?

A. It is, yes.

Q. The requirements of gas of the Mississippi River Fuel Corporation are furnished by which companies, will you name them Mr. Lerch?

A. The Interstate-Hope combination delivery—

Q. (Interposing.) That is the Hope Producing Company?

A. Yes, Hope Producing Company. The Southern Carbon Company; the United Carbon Company; and United Gas Pipe Line Company.

Q. And in what proportion does each of the companies supply the total amount?

A. Well, it varies. The United Gas Pipe Line supplies 45 per cent; Interstate supplies 22½ per cent, that is the Interstate-Hope Producing Company combination; the United Carbon supplies 13 per cent—the rest is divided between the United Carbon and the Southern Carbon. That is, between them they supply 32½ per cent.

Q. My attention has just been directed to the division of percentage appearing in Exhibit 64 at page 14, and the percentages there set forth are: Interstate and Hope—22 per cent; United Gas Pipe Line Company—40 per cent; Southern Carbon Company—21 per cent; and United Carbon Company—17 per cent, making a total of 100 per cent.

A. That is correct. I was remembering the percentages of investment and thinking that the deliveries followed more closely, but this is correct.

Q. Now does the percentage of investment in Mississippi River Fuel Corporation follow that same percentage, or is it different?

A. No, it is a little different.

Q. In what way?

A. Well, that is where my 22½ per cent for Interstate-Hope comes in, for the Standard Oil of New Jersey, rather; and 47 per cent is the United Gas Pipe Line Corporation; and the balance is divided between Southern Carbon and United Carbon.

Q. That is the stock ownership?

A. Yes. I would venture, from my recollection, that the balance is 17½ per cent Columbian Carbon and 13 per cent United Carbon.

Q. Now the manner of supplying Mississippi River Fuel Corporation with its requirements of natural gas under this quota has been carried on continuously under the contracts between these several companies and the Mississippi River Fuel Corporation?

A. Yes, sir.

Q. On this same quota, as stated?

A. Certainly since I have had anything to do with the operations of Mississippi, and my recollection is that by the time the line was ready to receive gas, this present combination of producers was in operation, and that it has always been supplied on that basis.

Q. Now turn to the copy of the stipulation, Mr. Lerch, under the second portion of Paragraph 5, where it is stated:

"The percentages of the total requirements of said pipe line to be supplied by the respective members of the syndicate, or nominees, from the acreage above referred to, shall be as follows:

"Standard—22 Per cent".

Now that is presently supplied by Interstate Natural Gas Company and Hope Producing Company?

A. That is right.

Q. Then it is stated—Columbian, 21 per cent. That is presently supplied by Southern Carbon?

A. Yes.

Q. And Southern Carbon and Columbian are—

A. (Interposing.) Columbian is the parent of Southern Carbon Company.

Q. Then, continuing—"United—17 Per cent". That is United Carbon Company?

A. Yes.

Q. Then—"Electric—20 Per cent". Would that be the United Gas Pipe Line Company?

A. Yes, it is part of their's.

Q. Then—"Moody Seagraves—10 Per cent". Is that part of United's?

A. Yes, that is part of United Gas Pipe Line's delivery.

Q. Then immediately below is mentioned The Palmer Corporation of Louisiana. Is that also included in United Gas Pipe Line Company presently? It is stated as 10 per cent.

A. Yes, it is.

Q. Now turning again to page 14, of Exhibit 64, Mr. Lerch, where the sales to pipe line companies are set

forth, under "Mississippi River Fuel Corporation", and "Supplier", the schedules there indicated show Interstate Natural Gas Company FPC No. 4, and Hope Producing Company FPC No. 3. Those are the schedules under which the gas is being sold to Mississippi River Fuel Corporation?

A. I assume those are the numbers, yes.

Q. Then United Gas Pipe Line Company under Rate Schedules FPC Nos. 9, 10 and 11; and Southern Carbon Company under Rate Schedule FPC No. 3.

Mr. Lange:

At this point, Mr. Examiner, we desire to have those United Gas Pipe Line Company and Southern Carbon Company rate schedules incorporated by reference, so that the provisions of those contracts may be available for the record.

Trial Examiner:

They aren't already in the record?

Mr. Lange:

Not United Gas and Southern Carbon.

Trial Examiner:

Is there any objection?

Mr. Dougherty:

No.

Trial Examiner:

The documents described by counsel for the Commission will be incorporated in the record of this proceeding by reference.

(United Gas Pipe Line Company Rate Schedules FPC Nos. 9, 10 and 11, and Southern Carbon Company Rate

Schedule FPC No. 3 were incorporated in the record by reference.)

Trial Examiner:

I assume these are on file with the Power Commission?

Mr. Lange:

They are, Mr. Examiner.

By Mr. Lange:

Q. Now on that same page, Mr. Lerch, under the heading, "United Gas Pipe Line Company for Account of Memphis Natural Gas Company", sales are there indicated as being made under Interstate Natural Gas Company Rate Schedule FPC No. 6 and Hope Producing Company Rate Schedule FPC No. 4?

A. That is right.

Q. Now will you explain in what manner the group there indicated, that is Interstate, Hope, United Gas, Southern Carbon and United Carbon, make their sales?

A. This contract for the delivery of gas to the Memphis Natural Gas Company was originally made with the United Gas Pipe Line Company and later they partitioned it out among the other three producers, keeping a part of it for themselves, and the deliveries are made at meter runs located at Memphis Station, by each of these individual suppliers, in the percentages called for here. They are billed for the gas delivered by the United Gas Pipe Line Company, who in turn makes the total billing to the Memphis Natural.

Q. In connection with those sales, United Gas Pipe Line Rate Schedule FPC No. 5 and Southern Carbon Company Rate Schedule FPC No. 4 are applicable, and we desire to have those incorporated by reference.

Trial Examiner:
Is there any objection?

Mr. Dougherty:
No objection

Trial Examiner:
The documents described will be incorporated in the record of this proceeding, by reference.

(United Gas Pipe Line Rate Schedule FPC No. 5 and Southern Carbon Rate Schedule FPC No. 4 were incorporated in the record by reference.)

By Mr. Lange:

Q. Now the next sale on that page, Mr. Lerch, page 14, is one to Southern Natural Gas Company, in which the same suppliers of gas above named, plus Southern Natural Gas Company, figure in the picture. Now will you please explain in what manner that gas is sold and delivered?

A. Seventy-five per cent of the total requirements of the Southern Natural Gas Company's line, starting at Perryville, are supplied by the four groups of producers named, or rather by five producers, in the quantities or in the percentages of the 75 per cent of the requirements shown on this page.

Q. I note that the sales there made by United Gas Pipe Line Company are under Rate Schedule FPC No. 44; by Southern Carbon under Rate Schedule FPC No. 7; and by United Carbon under Rate Schedule FPC No. 2.

Mr. Lange:
I desire to have those rate schedules incorporated in the record by reference.

Trial Examiner:
Is there any objection?

Mr. Dougherty:
No objection.

Trial Examiner:
The rate schedules described by counsel for the Commission will be incorporated in the record of this proceeding by reference.

(United Gas Pipe Line Company Rate Schedule FPC No. 44, Southern Carbon Rate Schedule FPC No. 7, and United Carbon Rate Schedule FPC No. 2 were incorporated in the record by reference.)

Mr. Lange:
In addition to those named, Mr. Examiner, I note that Hope Producing Company's schedules are not in the record, so I desire to also include Hope Producing Company Rate Schedules FPC Nos. 3, 4 and 8, by reference.

Trial Examiner:
Is there any objection?

Mr. Dougherty:
No objection.

Trial Examiner:
The rate schedules described by counsel will be incorporated into the record of this proceeding by reference.

(Hope Producing Company Rate Schedules FPC Nos. 3, 4 and 8 were incorporated in the record by reference.)

By Mr. Lange:

Q. Now Mr. Lerch, the operations of Interstate and of these several companies named in connection with the sale and delivery of gas, have been substantially the same during the time that these rate schedules have been in existence, haven't they, I mean the mechanics of the operation? The rates may have changed but the mechanics of the operation have been substantially the same over the life of those contracts?

A. I think so, yes.

Q. And gas is presently being served under those rate schedules?

A. That is right.

Q. During the first day of this proceeding, I believe, the Secretary of the Louisiana Commission read into the record a statement in connection with the origin of the complaint proceeding in Docket G-132, and also stated that subsequent to the proceedings before the Louisiana Commission the matter was taken by the Interstate Natural Gas Company, Incorporated, into the United States District Court.

We desire at this time to incorporate into the record an excerpt from the Bill in Equity that was filed in that proceeeding, if Mr. Lerch will identify it.

Trial Examiner:

That Bill was filed by the Interstate Company, was it?

Mr. Lange:

That bill was filed in the United States District Court for the Eastern District of Louisiana, Baton Rouge Division, by the Interstate Natural Gas Company, Inc., against the Public Service Commission of Louisiana.

The Witness:

What do you want me to do, Mr. Lange?

Mr. Lange:

I will show it to Mr. Dougherty first.

(The document was handed to Mr. Dougherty for examination.)

By Mr. Lange:

Q. Mr. Lerch, the copy of the Bill that I have before me, certiifed by the Clerk of the United States District Court for the Eastern District of Louisiana, indicates that it was served on June 2, 1939, is that correct?

A. It appears to be correct, yes, sir.

Q. And Paragraph XIII is part of that Bill, which is sworn to by Alden T. Shotwell and Henry P. Dart, Jr.?

A. That is right.

Q. Were they attorneys for the Interstate Natural Gas Company in that proceeding?

A. Yes.

Q. And it was sworn to on May 30, 1939?

A. That appears to be the case.

Mr. Lange:

I would like to read a paragraph from that Bill into the record, which is Civil Action No. 38.

Trial Examiner:

Is there any objection?

Mr. Dougherty:

We have no objection to that part going in. I suggest that it be copied by the reporter, to save time.

I do have this thought in mind, Mr. Examiner, that maybe we would want to have either other portions of that Bill, or the entire Bill, incorporated into the record. Either I can take time today to determine that or, if the Examiner prefers, between now and the time

we convene at Washington, I can examine it and offer such parts there as I might wish to.

Mr. Lange:

Of course whatever portion, or all of it, that counsel desires, would be agreeable.

Trial Examiner:

Oh yes, counsel should certainly have that right. I would suggest that counsel examine the document and prepare any parts of it which he wishes to offer, and offer those parts at the next session of the hearing.

Mr. Dougherty:

Very good.

Mr. Lange:

And we will prepare copies of that portion which is desired to be incorporated in the record at this time, and supply counsel with those copies. I understood that the Examiner desired to have it copied?

Trial Examiner:

Without objection the reporter is directed to incorporate the particular paragraph referred to, into the record, as if read.

Mr. Lange:

I will indicate the part. It is contained in the Paragraph marked "XIII", beginning with the words "Your petitioner further shows" and so forth, on page 9 of the Bill, down through the sentence ending with the words "transactions in interstate commerce", on page 10.

(The portion of the document referred to is as follows:

"XIII.

"Your petitioner further shows that the gas transported, marketed and sold by your petitioner is divided into six general types or classifications, to-wit:

"(a) Gas sold and delivered by your petitioner at wholesale to the following purchasers, namely;

1. Mississippi River Fuel Corporation—which gas is sold and delivered to the aforesaid purchaser at its compressor station site located in Ouachita Parish, Louisiana;

2. Southern Natural Gas Company—which gas is sold and delivered to the aforesaid purchaser at its compressor station site located in Ouachita Parish, Louisiana;

3. United Gas Public Service Company and its assignee, United Gas Pipe Line Company, for the account of Memphis Natural Gas Company, which gas is delivered by your petitioner to Memphis Natural Company at its compressor station site located in Ouachita Parish, Louisiana;

4. Arkansas-Louisiana Gas Company (successor to Arkansas-Louisiana Pipe Line Company)—which gas is delivered to the aforesaid purchaser at its compressor station site located in Ouachita Parish, Louisiana;

5. United Gas Pipe Line Company, as assignee of United Gas Public Service Company (assignee of Dixie Gulf Gas Company), which gas is delivered to the aforesaid purchaser at the compressor station site of Arkansas-Louisiana Gas Company located in Ouachita Parish, Louisiana;

6. United Gas Pipe Line Company, as assignee of United Gas Public Service Company,—which gas is delivered to the aforesaid purchaser at the compressor station site of your petitioner at Fowler, in Ouachita Parish, Louisiana;

that all of the aforesaid gas is sold and delivered by your petitioner pursuant to the terms and provisions of certain contracts entered into between your petitioner and the aforesaid purchasers and their assignors, which contracts provide for and contemplate that said gas shall be sold and delivered as a part of and in furtherance of the interstate activity of said purchasers and of petitioner; that said gas is produced by petitioner, transported, marketed and delivered in interstate commerce; that the same moves in a constant uninterrupted, and continuous flow from the mouths of the wells from which it is produced through pipe lines belonging to your petitioner to the compressor stations, above set forth, thence without any interruption or without at any time ever coming to rest into and through the aforesaid compressor stations and through and into states other than the State of Louisiana and into and through other states, and that said gas is so destined from the moment of its production, and that none of said gas is produced for or is at any time sold or used in local consumption or intrastate commerce; and that said sales of gas so made by your petitioner are transactions in interstate commerce."

Mr. Lange:

That is all I have of Mr. Lerch.

Trial Examiner:

Is there any re-direct?

Mr. Dougherty:
No, sir.

Trial Examiner:
Does the Louisiana Commission have any questions?

Mr. Sherer:
None.

Trial Examiner:
The City of New Orleans?

Mr. Coleman:
No, sir.

Trial Examiner:
That is all, Mr. Lerch.
Does the Federal Power Commission have any rebuttal evidence to present at this time?

Mr. Lange:
May we have a five minute recess?

Trial Examiner:
I believe I asked if there were any objections to Exhibit 89, and I heard none. Exhibit 89 will be admitted into evidence.

(Exhibit No. 89 was received in evidence.)

* * * * * *

Mr. Lange:
Mr. Examiner, I desire to read into the record an excerpt from the testimony in Docket G-144, by R. H. Hargrove, Vice President of the United Gas Pipe Line Company.

Trial Examiner:
Is there any objection?

Mr. Dougherty:
No obection.

Trial Examiner:
Proceed.

Mr. Lange:
This commences at line 1, page 48, and runs through and including line 5, page 49, and reads as follows:

"Q. And the United Gas Corporation owns the United Gas Pipe Line Company 100 per cent?
A. It owns the stock 100 per cent, and it owns $23,000,000 of debentures. There are a small amount of assumed bonds in the hands of the public.
Q. But the general management and control of the activities of the Gas Pipe Line Company are in the hands of the United Gas Corporation, are they not?
A. To such an extent as stock ownership controls, that is correct.
Q. Yes. The United Gas Corporation is in turn controlled by the Electric Power and Light Company, isn't it?
A. Through stock ownership, yes, sir.
Q. Which is in turn controlled by the Electric Bond and Share Company?
A. Well, I think that is correct. I don't recall the figures as to how much interest Electric Bond and Share now owns in Electric Power and Light, but I think that is correct.
Q. But it is generally accepted as being the company in control of Electric Power and Light?
A. Yes, it is.

Q. Do you know the extent of the interest of the United Gas Corporation in the Mississippi River Fuel Corporation?

A. It is approximately 47 per cent stock interest.

Q. By far the biggest stockholder in that corporation, are they not?

A. Yes, sir."

Mr. Lange:

May it be stipulated into the record that the Union Producing Company is owned by United Gas Corporation?

Mr. Dougherty:

I am agreeable to that.

Trial Examiner:

The stipulation is approved by the Trial Examiner.

Mr. Lange:

That is all for the present.

Trial Examiner:

You have no rebuttal evidence to offer at this time?

Mr. Lange:

Not at this time.

Trial Examiner:

Do I understand that you have some other evidence to offer in your case-in-chief?

Mr. Lange:

We will have some testimony to be presented by Mr. Smith, Mr. Charles W. Smith, Chief, Bureau of Accounts, Finance and Rates; and also testimony to be presented

by Mr. Joseph of the Commission's staff, on rate of return.

Trial Examiner:

Does the Louisiana Commission have any further evidence to offer at this time?

Mr. Sherer:

None.

Trial Examiner:

The City of New Orleans?

Mr. Rightor:

No, sir.

Trial Examiner:

Counsel will be expected to have prepared and ready for presentation to the Trial Examiner at the next session of the hearing, the proposed corrections to the transcript through today's session.

Mr. Dougherty:

Very well.

Trial Examiner:

The hearing will be recessed for the purpose of taking the testimony of the Company's rate of return expert and the testimony of the Commission's rate of return expert, and the testimony of Mr. C. W. Smith, on June 30, 1942, in the Commission's hearing room in the Hurley-Wright Building, Washington, D. C., at 9:45 o'clock, a. m.

The hearing is now recessed.

(Whereupon, at 3:00 o'clock, p. m., the hearing was recessed to Washington, D. C., at 9:45 o'clock, a. m., June 30, 1942.)

* * * * * *

Trial Examiner:

Please come to order.

The Trial Examiner has received a telegram from the Louisiana Public Service Commission indicating that counsel for that Commission and for the City of Baton Rouge would not be present this morning. They also requested that some arrangement be made whereby two copies of all exhibits be sent to the Louisiana Public Service Commission, one of which would be for their files, and the other for the City of Baton Rouge. I presume counsel will be glad to comply with that request. And a similar arrangement should be made with respect to the exhibits for the City of New Orleans; in other words, copies of each of those exhibits should also be sent to them.

Mr. Dougherty:

I take it that we can just send those direct to them?

Trial Examiner:

Yes, I think that would be the more satisfactory plan.

Counsel for the Company reserved the right to offer additional portions of the Petition filed in the Federal Court, a part of which petition counsel for the Commission had read into the record. Is counsel now prepared to present those additional portions, or indicate whether he has any such portions to offer?

Mr. Dougherty:

Yes, we are.

After giving consideration to the matter, it seemed to Respondent that the record would be incomplete unless

there was included all of the allegations in this petition, and we have prepared copies of the petition itself, together with the affidavit of F. H. Lerch, Jr., that was filed in that case, upon which the Court acted on application for a preliminary order, and also the opinion of the Court on the preliminary application, and the opinion of the Court on final hearing. We would like to put each of those documents in evidence as an exhibit, in order that the entire picture and all of the story as it affects that particular lawsuit may be available in the record for such reference as may be necessary.

We have had these copies prepared, and while they are not certified, we have compared them and are certain that they are correct, but of course they may be subject to any further check that counsel for the Commission may desire to make.

Trial Examiner:

I suggest these documents be marked for identification.

(The documents referred to were marked as Exhibits Nos. 90, 91, 92 and 93, respectively, for identification.)

Trial Examiner:

I think it would be well for counsel to identify these particular documents with their exhibit numbers.

Mr. Dougherty:

The documents from the case of Interstate Natural Gas Company, Incorporated, versus Louisiana Public Service Commission, in the United States District Court for the Eastern District of Louisiana, Baton Rouge Division, to which I have made reference, have been marked for identification as follows:

As Exhibit 90, the Petition; as Exhibit 91, an affidavit of F. H. Lerch, Jr., submitted in the case upon the

application for a preliminary order; as Exhibit 92, the Opinion of the Court, a statutory three-judge Court, upon the application for a preliminary order; and Exhibit 93, the Opinion of the Court on final hearing upon the final merits of the case.

I would like to offer in evidence Exhibits 90 to 93, inclusive.

Trial Examiner:

Is there any objection?

Mr. Lange:

No objection.

Trial Examiner:

Exhibits 90 to 93, inclusive, are admitted in evidence.

(Exhibits Nos. 90 to 93, inclusive, were received in evidence.)

Trial Examiner:

Counsel for the Company may proceed with the introduction of his evidence.

Mr. Dougherty:

Still with reference to this same lawsuit in the Federal Court in Louisiana, Mr. Alden T. Shotwell, who was one of counsel in that case, appeared as a witness in Docket G-146 before the Federal Power Commission, which involved an investigation of Interstate Natural Gas Company, Inc., and Hope Producing Company, and Mr. Shotwell was cross examined by Mr. Lange in this case, that is, in Docket G-146, concerning this particular litigation. And I would like to introduce, by reference, the cross examination of Mr. Shotwell, which is found in the transcript of the hearing for January 24, 1940,

commencing at page 296 and extending through to page 306, that is including page 306.

Mr. Lange:

Is that the entire cross examination of Mr. Shotwell?

Mr. Dougherty:

I think it is.

Mr. Lange:

No objection.

Trial Examiner:

It seems to me that it might be advisable to have the reporter just copy that into this record, rather than to incorporate it by reference. It would certainly simplify matters so far as a study of the record is concerned.

Mr. Dougherty:

That would be preferable, I am certain.

Trial Examiner:

There being no objection, the reporter is directed to incorporate that portion of the record in Docket G-146 to which counsel has referred, into this record as if read.

Mr. Lange:

I wanted to know if there were any corrections that were made to that portion of the transcript. If so, it will be copied as corrected?

Mr. Dougherty:

That can be copied from the official transcript in the Commission's files, and all corrections there will be noted.

(The portion of Docket G-146 referred to, being cross examination of A. T. Shotwell, pages 296 to 306, inclusive, is as follows:)

"Mr. Gorman:
Yes, we have.

The Trial Examiner:
Thank you.

Cross Examination.

By Mr. Lange:

Q. Mr. Shotwell, you testified yesterday on direct examination in this case, did you not?

A. Yes, sir.

Q. And you stated at the time that you are attorney at law practicing and a resident in the State of Louisiana?

A. Yes, sir.

Q. That you have your law offices there located in the same building with Hope Producing Company and Interstate Natural Gas Company?

A. That is correct.

Q. And that you have represented both companies, wich are the same companies in this proceeding, for a number of years, connected with their legal matters?

A. That is correct, yes, sir, in the State of Louisiana.

Q. And in connection with that representation that you have represented them before the regulatory body or bodies of that State?

A. Yes, sir.

Q. Of Louisiana, and specifically in a proceeding before the Louisiana Commission comparatively rece tly?

A. Yes, sir, during the latter part of last year.

Q. Latter part of last year, which proceeding subsequently reached a three Judge Federal Court?

A. That is correct.

Q. That proceeding had its origin before the Louisiana Public Service Commission or what is the correct, the exact legal name of that body?

A. That is the state regulatory body, Louisiana Public Service Commission.

Q. They have regular dockets of cases pending before them, I suppose?

A. They do.

Q. Do you know whether that was Docket No. 2720?

A. If you will permit me to refer to my file, I think I can give you that accurately.

Yes, sir, that is No. 2720.

Q. Now, you participated in that proceeding as counsel for the companies throughout the proceeding before the Commission?

A. As one of the counsel.

Q. As one of the counsel?

A. Yes.

Q. To what extent did you participate in that proceeding?

A. Well, I was rather active. I conducted the examination of the witnesses and the presentation of the evidence.

Q. And the preparation of the pleadings?

A. Well, I cooperated in that. The only pleading in the Commission that was filed on behalf of Interstate was an exception to the jurisdiction and that was prepared jointly by my firm and by the law firm of Dart & Dart who are practicing at New Orleans.

Q. You were the active participant of your firm in that?

A. Yes, sir, I was.

Q. And in connection with the briefing of that case, also?

A. I was active in that, yes, sir.

Q. And there was a brief filed by you on behalf of the company in that case with the Louisiana Commission?

A. Yes, sir.

Q. In which you participated in the preparation?

A. That is correct.

Q. This is the brief that was filed, that is one of the copies of the brief that was filed?

A. Yes, sir, that is a copy of our brief before the Commission.

Q. I will have the Stenographer please identify it.

(The document referred to was marked 'Exhibit No. 31' for identification.)

By Mr. Lange:

Q. Mr. Shotwell, at page 82 of that brief—

A. (Interposing.) I have a copy if you want to hold yours. What page, Mr. Lange?

Q. Page 82. The statement appearing therein, 'Sales Made by Interstate to Mississippi River Fuel Corporation, Memphis Natural Gas Company, Southern Natural Gas Company, Dixie-Gulf Gas Company, and Arkansas-Louisiana Pipe Line Company Are Sales Made in Interstate Commerce', that is the heading of that particular section as it appears on page 82?

A. That is correct.

Q. And that is followed with the statement:

'As has been stated above, Interstate sells gas to the five pipe line companies above named who purchase the gas for the purpose of transporting it in their respective pipe line systems into foreign states and there disposing of it to others.

'This gas is marketed by Interstate under contracts which contemplate its sale and delivery, for the purposes and under the conditions set out in the preceding paragraph.

'The destination of the gas is fixed, prior to its production, and it comes from the mouths of the wells earmarked for interstate commerce and immediately commences its interstate movement—at no time from the moment it flows from the mouths of the wells until it reaches some distant state is its forward motion interrupted—it never comes to rest in the State of Louisiana, and its movement is continuous from the wells to the respective compressor stations of said purchasers through the pipe lines of Interstate, thence through the compressor stations and pipe lines of the purchasers to its ultimate destination in the distanct states. It is not treated for the extraction of gasoline or other by-products nor is it passed through any processing or treating plant of any kind and is at no time placed in storage and never comes to rest from the beginning of its interstate journey at the well from which it is produced until it reaches its final destination in some state other than Louisiana.'

'While it is true that, during this movement, title changes at the respective compressor stations of the purchasers, this change in title does not in any manner interrupt the steady and continuous flow of the gas in its interstate transportation; nor does the change in title in any manner affect the interstate character of the transaction.'

Those are statements incorporated in that statement made by you in behalf of the company in that proceeding?

A. That is correct, yes.

Q. You are still of counsel for the two companies, the Hope Producing and the Interstate Natural Gas Company?

A. Yes, sir.

Q. And you stated yesterday that you had considerable to do with their daily or continuing activity in operation, that hardly a day passed that you did not have some legal problem to take up with them or they to take up with you?

A. Well, of course, that is generally true. The offices of those two companies and our firm are in the same building and it is very convenient, the contact is, and there are quite frequently instances where various matters are discussed.

Q. And this statement contained in that brief was presented to the Louisiana Commission as one of the positions of the company in that proceeding?

A. That was what we were advocating, yes, sir.

Q. Mr. Shotwell, you confer with the directing heads of the company very frequently as to their course of operation, do you not?

A. I do not see Mr. Lerch very often. I have contact with Mr. Salisbury who is the assistant treasurer and is located in the Monroe office and with Mr. John Gordon who is the present resident manager of the company.

Q. Well, those officials with whom you do have contact are the ones that have more or less charge of the company's manner and character of operation?

A. Well, as to local operations, I would say that is true. With the question of company policies and matters of that type, I would rather think Mr. Lerch would determine that.

Q. Well, you counseled with him in connection with that proceeding in Louisiana, didn't you?

A. That proceeding originated back in 1937, if I remember it, and whether or not we counseled with Mr.

Lerch before we filed the exception to the jurisdiction or not, I do not know. Mr. Lerch was in Louisiana when the matter was argued before the Commission and you see it was tried some month or two before it was actually argued and before this brief was filed. Mr. Lerch was not there at that time. He was in Louisiana when it was argued but it is my recollection that this brief had been prepared and printed before Mr. Lerch came to Louisiana. I do not know whether he saw it before it was printed and filed or not.

Q. But it was intended to and did reflect the company's position in that procedure?

A. As I understood it, yes.

Q. And you were in charge of the particular handling of that particular phase of the case?

A. The legal end of it.

Q. And you have just stated that you represented both the Interstate Natural Gas and the Hope Producing Company a number of years?

A. Yes, sir.

Q. And knew their problems and discussed them very frequently with the managing officials?

A. That is true.

Q. How do you reconcile the position taken there with the position the company is taking at this time?

A. I think the position in both cases is entirely consistent. One of the grounds upon which we resisted the jurisdiction of the Louisiana Public Service Commission was that Interstate was neither a public utility nor a common carrier and while I did not prepare the proceedings in the matter now pending before this Commission, my understanding and impression of the position of Interstate and Hope at this time is that they are neither a public utility nor a common carrier.

Now to that extent, I think the position is entirely consistent.

Q. Is the Hope and Interstate position the same here as it was before the Louisiana Commission with reference to this purchase and—rather the sale and delivery of gas to the Mississippi River Fuel as recited under that particular section?

A. I do not know whether I am qualified to answer that or not because as I told you, I took no part in this matter here until I arrived the other day. In fact, I do not know anything about the preparation of these papers but my understanding is that the present Federal Power Commission Act exempts gathering systems and production of gas and, of course, that was not involved in the matter pending before the Louisiana Public Service Commission. We resisted, in that case, jurisdiction on three grounds, first, the company was neither a utility nor a common carrier and, in the alternative, that if it should be held it were either or both, that the State Commission would have no jurisdiction over it because of the interstate characteristics of its business.

Q. That proceeding never has been heard on its merits?

A. No, the Commission rendered a decision that was somewhat ambiguous. However, it did take jurisdiction and we applied for a rehearing asking that it reverse its findings and, in the alternative, that it clarify the position as announced in its findings of fact, but our application for a rehearing was denied and its original ruling reinstated and we then went into the Court to test the jurisdictional question and that is the thing that is now pending in the Federal Court.

The Trial Examiner:

When was that proceeding begun in Federal Court?

The Witness:

I can give you almost the exact date.

The Trial Examiner:
Approximately.

The Witness:
I think it was in the early part of last year. It was shortly after the decision—I have a chronological statement of the proceedings, if you want the record to show it I can give it.

The Trial Examiner:
No.

By Mr. Lange:
Q. Now, Mr. Shotwell, you stated you participated in the subsequent proceedings before the three Judge Federal Court?
A. Yes, sir.
Q. And the position of the company in that proceeding was the same that they took before the Louisiana Commission?
A. That is true. The same legal questions were raised in that case as were raised before the Commission.
Q. Now, the State of Louisiana has a Conservation Commission, does it not?
A. Yes, sir.
Q. That regulates and has to do with the manner and kind of production, the spacing of wells, the location of wells, the safety features and all such matters pertaining to field conditions?
A. A great many of those features are covered in a legislative act that controls them. The Conservation Department, however, is the State administrative body which is charged with the enforcement of those.
Q. With the enforcement?
A. Yes.

Q. And that body functions and your companies are subject to their interpretations of those particular phases of the Act or any rules that that body may make?

A. Well, I do not know that I would go that far. I think if any question of interpretation of the law was involved, that it would ultimately find its way to the Court for decision. In fact, that has been done.

Q. With reference to the matters of conservation?

A. Well, this was with reference to a violation of a rule or regulation of the Commission not dealing with the question of the production of gas but they are generally charged with the enforcement of the duty of seeing that the conservation laws are observed.

Q. And your companies, of course, conform with the provisions of those conservation laws and the Conservation Commission's regulatory processes?

A. Yes, sir.

Mr. Lange:
I think that is all.

Mr. Dougherty:
I have no questions.

The Witness:
Did you wish for the record that date?

The Trial Examiner:
No."

Mr. Dougherty:
I wish to call Mr. Coffman.

Whereupon,

* * * * * *

The Chairman:

The hearing will come to order.

This is a hearing in the matter of the Interstate Natural Gas Company, Incorporated, the Louisiana Public Service Commission, Complainant, against the company. It is a rate proceeding under the Natural Gas Act instituted by the Commission on its own motion on December 5, 1939, following the filing of a petition on May 23, 1939, by Louisiana Public Service Commission.

In the said petition the Public Service Commission alleges, in substance, that the rates and charges of the Interstate Natural Gas Company appear unjust and unreasonable; that in response to a show cause order as to said rates and charges, Interstate had resisted, claiming lack of jurisdiction of the State Commission over the company's properties and operations.

On May 11, 1942, the City of New Orleans, Louisiana, filed its petition asking leave to intervene in the proceedings. Petition was granted by Order of May 15, 1942.

On May 12, 1942, the Commission entered its order consolidated Dockets G-149 and G-132 for the purposes of hearing thereon, and fixing the date and place of public hearing to be held in proceeding on June 15, 1942, at Baton Rouge, Louisiana.

By a subsequent order of May 26, 1942, the date and place of hearing were changed to June 17, 1942, at New Orleans, Louisiana. The said order of May 12, 1942, authorized the participation of interested State Commissions in the said hearing, pursuant to which authority the Chairman, the Commissioners, and the Secretary of the Louisiana Public Service Commission entered their appearances and were present throughout the hearings at New Orleans.

On June 1, 1942, the City of Baton Rouge, Louisiana, filed its petition asking leave to intervene in the pro-

ceeding. The petition was granted by order of June 3, 1942. Pursuant to the provisions of the Commission's orders of May 12, 1942, and May 26, 1942, the public hearing in the proceeding was begun at New Orleans on June 17, 1942, and conducted from day to day until June 23, 1942, on which date the hearing was recessed, to reconvene in Washington.

On June 30, the recessed hearing was resumed at the Commission's hearing room, and, upon reception of additional evidence submitted by Interstate and by Commission counsel, the hearing was formally closed on July 1, 1942. The present hearing is pursuant to an order which I am going to ask the Court reporter to incorporate at this place in the proceeding.

(The order referred to is as follows:)

ORDER GRANTING ORAL ARGUMENT.

United States of America.

Federal Power Commission.

Commissioners: Leland Olds, Chairman, Claude L. Draper, Basil Manly, and Clyde L. Seavey. John W. Scott not participating.

September 9, 1942.

In the Matter of:

Interstate Natural Gas Company, Incorporated.

Docket No. G-149.

Louisiana Public Service Commission, Complainant

v. Docket No. G-132.

Interstate Natural Gas Company, Incorporated, Defendant.

Upon application of Interstate Natural Gas Company, Incorporated, filed August 21, 1942, requesting that it

be granted permission to present oral argument before the Commission, en banc;

The Commission orders that:

Oral argument on the issues raised at the hearing herein be had before the Commission, en banc on October 14, 1942, at 9:45 a. m., in the hearing room of the Commission, 1800 Pennsylvania Avenue, N W., Washington, D. C.

By the Commission.

LEON M. FUQUAY,
Secretary.

The Chairman:

At this point I would like to have the several parties make their appearances for the record.

Mr. Dougherty:

For the Respondent, Mr. C. W. Cooper, 30 Rockefeller Plaza, New York, Mr. A. T. Shotwell, of the firm of Shotwell and Brown, Monroe, Louisiana, Mr. William A. Dougherty, 30 Rockefeller Plaza, New York.

Mr. Burns:

Francis B. Burns, City Attorney of New Orleans, and Mr. Warren O. Coleman, Associate Counsel for the City of New Orleans, representing the Intervener, City of New Orleans in this proceeding.

The Chairman:

Any other appearances to be noted?

Mr. Lange:

Mr. Chairman, there was received by the Secretary of the Commission a communication dated October 10, 1942,

from the City Attorney of Baton Rouge. Attached to that is a written argument styled "Argument in Behalf of the City of Baton Rouge, Intervener." In the letter of transmittal, counsel for the City of Baton Rouge states that it is not possible for him to be present today, and he would like to submit this for Commission's consideration, if possible, and he did not send the required number of copies, so the required number of copies may be made up here if the Commission desires to give it consideration.

The Chairman:
Will that be satisfactory to you, Mr. Dougherty?

Mr. Dougherty:
Yes, sir.

Mr. Lange:
Additional copies are now being prepared.

The Chairman:
The oral argument to be presented today should confine itself to the presentation of the chief points at issue in this proceeding. While the Commission does not otherwise wish to limit the scope of argument, our time is limited. Therefore, we must ask that counsel deal with specific questions in as brief a manner as possible under the circumstances.

The order of proceeeding will be for counsel for the Interstate Natural Gas Company, Incorporated, to open the argument, to be followed by counsel for Intervener, City of New Orleans, then by counsel for Federal Power Commission; counsel for Interstate will close the argument.

At this time I would like to ask the counsel about how much time they feel that they will need for their argu-

ment. I would like to urge, in asking that, that you limit the time required as much as possible because the Commission has a good deal of work on hand.

Mr. Dougherty, about how much time do you think you will need?

Mr. Dougherty:

I think it would take me probably a minimum of an hour and no more than an hour and a half. I will try to compress it just as much as I can.

The Chairman:

Will that be your first appearance or including both?

Mr. Dougherty?

My thought would be to try to consume an hour; no more than an hour, in my opening. Then whatever time is necessary. I may have to deviate from that, depending on the current of the questions and so forth.

The Chairman:

We appreciate that.

Mr. Coleman:

About ten or fifteen minutes.

The Chairman:

Thank you.

Mr. Lange:

That period of time is agreeable with counsel for the Commission.

The Chairman:

If we proceed right along, we ought to be able to keep this hearing within the confines of the morning. I hope

we can do that. What the Commission would like, as I have suggested, is to have the opening argument, so far as possible, cover every point which the counsel desire to bring to the attention of the Commission. The closing argument should cover matters in reply to counsel for Intervener and counsel for the Commission.

Mr. Dougherty, you may proceed at this point.

OPENING ARGUMENT ON BEHALF OF THE RESPONDENT BY WILLIAM A. DOUGHERTY.

Mr. Dougherty:

If the Commission please, I feel that anyone who has heard the recital by the Chairman of the period consumed in the hearing of this case must be impressed with the fact that it only took seven days to make up the record in this rate case. Since I have participated in one or two other rate cases which ran, at one instance, as high as 101 hearing days, I think it is worthy of comment, because it was accomplished as a result of following the procedure that the Commission initiated by order last year providing for pretrial conferences and agreements as far as possible on the various issues.

Solely as a result of that, we were able to carry on these conferences and to make up our record in those few days.

It, of course, is not as large a rate case as some of the others, but it does present most of the problems, and we did attempt to limit it so far as possible.

The Interstate Natural Gas Company operates in Monroe Field in Monroe, Louisiana. It produces gas in that field, it purchases gas in that field. It has about 56,000 acres of gas lands there, and in the field it sells gas to three pipeline companies which radiate from that field.

The Mississippi River Fuel Corporation extends northwardly through Arkansas, St. Louis, East St. Louis, Illinois, and northward.

Southern Natural Gas Company extends eastwardly through the States of Mississippi, Alabama, and Georgia.

Memphis Natural Gas Company, as its name implies, runs to Memphis, Tennessee.

The maps which we put in in order to designate and diagram the properties of the companies, one at the Commission's right, is Exhibit 5. That is a map of the outlines of the Monroe Field showing in different colors the acreage that is owned by Respondent in this case and by five other producers in that field, the whole five of them, I think, owning together about 77 percent of the acreage. The green acreage is that owned by Respondent. There are a few pieces of pink coloring which acreage is owned by Hope Producing Company, which is an affiliated company, since all of its stock is owned by Standard Oil Company of New Jersey. It has only about five or six hundred acres so it doesn't enter into the picture.

The brown shown on the map is owned by Union Producing Company, which is a producing affiliate of the United Gas Pipeline Company.

The yellow is that of Southern Carbon Company. That company is a subsidiary of the Columbian Carbon Company, a company that, through some of its other subsidiaries has been before this Commission.

The blue, which is scattered at different places on the map, is that of United Carbon Company, which is a company engaged in the production of gas in that field as well as elsewhere in the United States, and is primarily engaged in the business of carbon black in addition to that of natural gas.

That map outlines, therefore, the location of Respondent's acreage with respect to these other producing companies and shows the tie-in that exists in the field and how the acreage is intermingled.

On the map which is at the left, the Commission's left, which is Exhibit 6 in the case, is again shown acreage not of all of those companies, but of the Respondent, which again is green.

The yellow acreage which likewise is shown on the previous map as the Southern Carbon Company acreage and the blue acreage which is that of the United Carbon.

The reason only those two companies are shown is that Respondent buys gas from those two and does not buy gas from the Union Producing Company. It does buy from Hope Producing Company, but its pieces are small and located in about the center portion of the map.

Also on this map is shown the entire field operation of the Respondent. You will note the black lines that extend at different places, and those are the lines which extend from the wells on down through the various connections to points of delivery in that field.

Probably the Commission cannot see from this distance where the wells are located, but they generally are at the ends of these little black lines, as you see them.

One group of wells clear at the top of the map which is a group of high pressure wells, then another group in about the middle portion, with lines radiating to and from those wells. Then over here at the center left and again down at the lower left. That constitutes the field system and if I, in my naive way, use the term "gathering" at times, it is not to try to give any legal implication to it, but because, as a practical matter, for 50 years or more, lines of this character in the field have been called "gathering lines" by the industry. So this

is the gathering system of the company, and it finally terminates at a point on this map where the word "Fowler" is located.

The Chairman:

Are those dark lines what you are referring to as "gathering lines"?

Mr. Dougherty:

Yes, all those lines from that portion of the map up (indicating) are gathering lines. That point marked "Fowler" is placed where the main transmission line of the company begins. At Fowler is a compressor station, the main compressor station of Respondent, and that is termed De Siard compressor station. From that point, running in a southeasterly direction, is a 22-inch main line that continues to Baton Rouge.

The Chairman:

May I ask you another question about those lines? That line where you point to the end of the gathering line, now extending back toward the field—no, not so far back—there seems to be a junction point there.

Mr. Dougherty:

Yes.

The Chairman:

Is that the place where the general lines converge in the field?

Mr. Dougherty:

Well, that is where what you might call two sets of them converge. That is, at that particular point you see extending to the left that point, and that point is right near where the word "Parish" is in Section 17, are a

number of wells, and those wells produce gas which is taken by this group of field lines and over to this junction point there.

That gas may then go on down, on the lines I am indicating, which are F-51 and 53, to Fowler, may tie into this line tie F-59, but normally not. It normally goes in this direction (indicating).

Then gas which gathers from this group of wells where the word "Spencer" is, again goes down to Fowler.

The Chairman:

What is the purpose of that lighter line you said it might get into?

Mr. Dougherty:

F-59. That is a new line that was built last year that starts here and runs all the way up to—right up at this point I am indicating, the junction F-204. It was an additional line, 16-inch line, put in in order to increase capacity for getting gas from this middle area on down to Fowler.

The Chairman:

What is the size of the other line down there?

Mr. Dougherty:

The line F-51, to which I am pointing, is the 10-inch line.

F-3 is either 10 or 12—12-inch—the line radiating from this westerly part, 6 and 8-inch. The line F-3, which starts again at this junction point and goes in a northwesterly direction is 12.

The line I am indicating, F-118, is six.

Here where I am indicating line F-204 is 12-inch. Near it is F-103: 8-inch.

And F-206, going up clear to this upper portion of the map where high pressure wells are located, it is 12-inch.

The Chairman:

Thank you very much.

Mr. Dougherty:

Now, from this point at Fowler commences that main transmission line. The three deliveries which I have mentioned as having been made, or two pipe lines in the field, are made at a point which is marked on the map here as "R" and "V". It lies in Section 24, it looks to be, in this Range 4-E, and at those two points are located the main compressor station of the Mississippi River Fuel Corporation, whose pipe line then starts and runs northwardly and also on an adjoining piece of land is located the compressor station of Southern Natural Gas Company, whose pipe line runs eastwardly from that point.

The third pipe line at which delivery is made is indicated at point W, where I am pointing, and there is the compressor station of Memphis Natural Gas Company.

At those three points are where each of the respective lines named commence their journey from the Monroe Field on to their respective points of delivery. There also is sold in the field to United Gas Pipe Line Company a quantity of gas that eventually gets to New Orleans. I have differentiated that from these three which I have mentioned because of the fact that it is taken into the compressor station of Respondent along with all other of its own gas commingled without any different designation.

There is no measurement of the gas at that point, and the contract provides that Interstate has the right to

supply a certain percentage of the market for New Orleans that United Gas Pipe Line Company supplies when the quantity of gas which moves to New Orleans from this pipe line system exceeds 35 million cubic feet a day.

The gas is measured actually at the point of delivery, which is at Baton Rouge. It is mixed up and is a part of the New Orleans situation, which I think should have and deserves separate treatment in this case. So far that reason I have distinguished it and I think it does deserve different treatment, from the three particular sales to these different pipe lines which radiate from this field.

Then, starting at Fowler is the main pipe line, and on the middle map on the easel, in the upper left-hand corner is at the start of that line.

The 22-inch line then runs all the way down to Baton Rouge as indicated where I have pointed.

The Respondent sells gas at points between Baton Rouge and New Orleans as indicated on this map, Exhibit 7 by little squares. It owns no main pipe lines beyond Baton Rouge, but has a contract with United Gas Pipe Line Company under which United Gas Pipe Line Company transports this gas and then redelivers it to Interstate at small lateral lines through which Interstate delivers to its own customers, and those are shown and indicated on the map.

At the lower—immediately lower—right-hand corner of the map is shown the City of New Orleans which is the terminus of the United Gas Pipe Line Company from Baton Rouge and which is the size of the market through which gas moves from Monroe Field.

This Monroe Field was first brought in, I think, in 1918. It was at that time not known how extensive it would be. It was used principally for carbon black purposes and for furnishing the needs of the communities in that area.

The markets, of course, were small and it was 1926 before any long distance pipe line was built from that area, and that was the Respondent's line.

It came about more or less in this fashion: there is a power station at Sterlington in that field, which is, I think, a Louisiana Power and Light Company station, and in connection with the increase of size of that station, the company employed the firm of Ford, Bacon, and Davis to make a survey of this Monroe Field to find out whether or not there would be adequate reserves to supply it and to work out some plan of doing so. The result of that study indicated not only that there was adequate gas to supply that power station with fuel, but there seemed to be great reserves there that could be utilized elsewhere. There was no particular market nearby, but Ford, Bacon, and Davis, being of a mind toward encouraging projects upon which they might serve as engineers and contractors, conceived the idea that it might be possible to build a pipe line from the Monroe Field to Baton Rouge for the purpose of supplying the refinery of the Standard Oil Company of Louisiana with gas for fuel.

They made this survey around 1923 and '24, and after an investigation by the Standard Oil Company of New Jersey, which is the parent company of the Louisiana Standard Oil Company, the New Jersey Company decided that it was a feasible thing. that they could use the gas for fuel at the refinery and thereby eliminate the use of oil, the residuals which in that period were worth more to sell than they were to burn in the refinery for fuel. Consequently, Ford, Bacon and Davis were employed to assemble acreage and get a project together.

Originally they contemplated assembling a hundred thousand acres in the field, but the Southern Carbon Company and the United Carbon Company, both of

whom had been in that field since the early twenties and possibly had owned the acreage before then, would not sell their acreage. So the size of it was shrunken to initially about 46,000 acres; now, as I say, around 56,000.

Contracts were made both with Southern Carbon Company and United Carbon Company to buy gas in order to put the requisite amount of reserves behind the line, the line was built, and on January 3, 1927, first deliveries were made to the refinery at Baton Rouge.

The first full year of operation, it is interesting to note that through the pipe line sales were made of 22 billion plus of gas to industrial customers, and only 401 million was sold to communities for resale. That shows how predominant was the industrial character of the line. That is why it was built.

There was not an adequate market to justify any lines to supply these communities. The business of the company, therefore, in the first instance, was that of selling gas to the refinery at Baton Rouge and to these communities along the line.

Now, you have a few small communities before you get to the Mississippi River, and those are indicated along this line on Exhibit 7, and the line crosses the Mississippi at Natchez. Natchez was taken on as a customer. I think that manufactured gas had been distributed there previously.

The line continues on through Mississippi and a few little towns were connected up to the line, none of which had had any gas service before, but used coal and wood, wood mainly, for their cooking and heating requirements.

It again enters Louisiana north of Baton Rouge and serves a few smaller communities as it extends on down to Baton Rouge. The City of Baton Rouge at that time had a manufactured gas plant and a contract was made to change over to natural.

The character of business that the company, therefore, first engaged in was primarily the sale of industrial gas really to one customer. It has changed since then so that its business is still, so far as the pipe line is concerned, primarily the sale of gas to industrial customers and at Baton Rouge.

When the line was built I think no one conceived of a great increase in industrial growth at Baton Rouge, but the fact is that there has been a great growth with certain types of chemical plants. The Ethyl Gasoline Corporation has one, Semet Solvay has one, and the Gulf Electric Company built a large steam generating plant at that vicinity, and it takes tremendous quantities of gas for fuel.

The second character of the business for the pipe line is the sale of gas to these communities, and we have 10 distributing companies to which we sell gas which serve 18 different communities, and we sell gas to 7 municipal plants in Mississippi and Louisiana in both instances. We have 10 industrial customers. We engage in the business of transporting gas from the Monroe Field from the DeSiard Station down to Baton Rouge. At Baton Rouge the connection exists with the line of the United Gas Pipe Line Company, and delivery is made of that gas to it there. It, in turn, then transports it and sells it at the city gate of New Orleans to the New Orleans Public Service Company.

A part of the gas which is delivered by Respondent at Baton Rouge to the United Pipe Line is gas which Respondent sells and for which it has paid a field price. Those contracts, I might remark here, incidentally, now are not on a fixed price basis, but on a fraction basis or percentage basis.

For transporting the gas from Monroe down to Baton Rouge, Respondent received 4/9 of the weighted average gate rate at New Orleans, which, as I say, is a gate rate

between United Gas Pipe Line Company and New Orleans Public Service. For that portion of the gas which it delivers to United at Baton Rouge for which it is paid—that is, from its own production in the Monroe Field—it gets 4/18 of the weighted average profit. In each instance there is a minimum or there was a minimum before certain adjustments were made this year of five and a half cents for the transportation charge and three and a half cents for the field price for gas.

The pipe line started, as I say, with this particular market, and at that beginning New Orleans had not been connected, but in 1929 the New Orleans market came on through the building of this additional line and the contracts were made in which Respondent participated in that market.

In 1929 these pipe lines radiating from the Monroe Field were built. The Mississippi River Fuel Corporation started then and commenced deliveries in 1930. Southern Natural started about that same time. I think Memphis Natural, the construction began in 1928, but all about that same period, just at the beginning of the depression era, these additional markets came on and that, of course, required considerable additional capital expenditures.

When additional wells were drilled in the field, the gathering system had to be expanded and the line was looped partially between Monroe and Baton Rouge. That process was continued through the year and finally the business, for example, of comparative size, in 1941 the company sold around 66 billion cubic feet of gas. That doesn't include the transported gas which United Gas delivered to it.

The pipe line capacity in the first instance was about 77 million cubic feet per day when it was constructed. The pipe line capacity now is 170 million cubic feet, so that there has been a tremendous growth in the busi-

ness of the company, and, therefore, in the necessity for it to prepare itself to meet these demands.

At the beginning of the conferences which were held with the Commission's staff, we, of course, attempted to and did agree on a number of items which are normally at issue in a case of this sort. The question of original cost was accepted as the Commission put it in. We followed the practice that whenever the Commission's staff put in an exhibit to which we would take no exception, we simply made no response to it. We accepted that as so. If there were certain items in the exhibit to which we did take exception, we would put in an exhibit in which we did call attention to those items. We did not attempt to duplicate the portions of the Commission's reports with which we agreed.

After we had gone along for some time and long before the hearing, or before the hearing began, we got on to the point where Mr. Smith or Mr. Zinder or ourselves made some suggestion about trying to work out some new rate that might satisfy this investigation, and after negotiation back and forth, the company finally accepted the cost figures of the Commission's staff as indicated on their own studies at that time with respect to the sales of gas which the company makes to the communities for resale. Those are the ones that the Louisiana Public Service Commission is interested in, for example. And we did file a new schedule which became effective August 1, fixing a gate rate of 15 cents for the first 25 million cubic feet per month, and all over that of 12 cents.

I might say that the form of that schedule pretty much was worked out with Mr. Zinder and his staff, and so we did accept and put those rates into effect.

I want to say frankly now that after we went through the hearing and when we had made some further studies I am willing to admit that your staff out-traded us. I

think that rate is too low. I think it is too low by at least three cents. They indicated that on the basis of their figures, with tax reductions that should be taken into consideration, we made an excess of six and a half percent return of about $135,000 on that business. Of course, you can't hit those things right on the nose and come out with a rate that doesn't involve several decimals. We did finally agree on this rate.

There were many factors involved. For example, Baton Rouge claims it ought to have a lot lower rate than anybody else because it has got a field right by it. The attempt was made to get a uniform rate. We had two towns, Baton Rouge and Natchez, that are the biggest customers. That is why we put the 25 million block in because everybody else takes smaller quantities and has no industrial gas, and they all pay 15 cents. Baton Rouge and Natchez had industrial customers and it brings them to an average rate somewhere between 12 and 15, depending on the quantity of gas they get.

After we worked this thing out, I think it has turned out on the basis of our 12 months, say, from the middle of this year to the 12 months—I mean 12 months beginning the middle of last year—that instead of reducing those rates by $135,000, this schedule reduced them $160,000, so that I am frank to say that I think had we waited until after our case was finished, I don't believe we would have taken 15 cents. I think we would have, I say, averaged about 3 cents. Nevertheless there it is, and we did it.

Well, at the same time, there had taken place in New Orleans a sort of arbitration with respect to the city rate—not the city gate rate—between the city and the Public Service Company. As a part of that arbitration, the local distributing company there agreed to make certain reductions and both United Gas Pipe Line Company and ourselves agreed that we would take a part of that

reduction. The part that Respondent took was estimated to be about $186,000 a year. Because of the complicated manner in which gas is now put into New Orleans, that is, complicated as concerns the relations between United Gas Pipe Line Company and ourselves, that took two forms which I can explain later.

Having done those two jobs, we felt we had gone pretty far along the way of satisfying the necessary reductions on those two items. Certainly, so far as the distributing companies are concerned, I am going to say nothing more about it because that rate is plenty low enough.

That leaves, then, since the Commission does not fix rates on the direct industrial sales, two parts of our business to consider here: first the sales that are made to Mississippi River Fuel Corporation, Southern Natural Gas Company, and Memphis Natural, that are made in the field. The second character of business to be considered is what I will call the New Orleans business.

Now, we participated, as I have said, first by the transportation of gas from Monroe to Baton Rouge where it is, in turn, turned over to United Gas Pipe Line Company. If the quantity of gas which is taken through that pipe line exceeds 35 million cubic feet per day, we get to put in 3/4 of that excess, and so we are paid then three and a half cents for that. That is, a minimum of three and a half. The transportation price minimum, as I say, is five and a half. So that, in effect, as to that portion of the gas which we produce and sell from Monroe that goes into New Orleans market, we are getting a minimum of nine cents at Baton Rouge.

I think the Commission's figures show that on our transportation we are probably getting about a cent more than that, so that, roughly, we are getting, for the gas we sell and transport and deliver at Baton Rouge,

about 10 cents. For that portion of the gas which we do not sell; but which we transport, we are getting around 6 to 6 and a half, according to the Commission's figures.

In addition to gas that moves into New Orleans through this pipe line system, in 1939 contracts were made with certain producers that are off of the map which was Exhibit 7, but which lie south in this Gulf Coast Area. Mind you that in 1929 when New Orleans was tied in with this Monroe Field, there was no gas discovered in this Gulf Coast area. New Orleans was all manufactured gas and the only way in which it could get natural gas service was by virtue of the Monroe Field and taking it from Monroe to Baton Rouge.

The drilling that took place and has taken place in the Gulf Coast area came along later and has been carried on by the oil companies in their search for oil along those salt domes which lie along the Gulf Coast.

They have also brought in some considerable amount of distillate and also some dry gas.

As the market at New Orleans grew, these companies were faced with the necessity of increasing the capacity from the Monroe Field, or of supplementing the supply by taking the gas which was adjacent to New Orleans.

Of course, that was the sensible thing to do for the sake of investment. I think had it been necessary, had there not been this gas around New Orleans, Respondent would have had to spend five to seven million dollars, that is, the two companies, in order to serve the company's demands. As a matter of fact, we spent one million dollars to build the pipe lines from the nearby field and we are spending another million this year, which is being spent now and which ties in supplies of gas within 75 miles of New Orleans.

The lines are shorter than that, but within a radius of 75 miles, you will find huge quantities of gas. That

introduces, of course, another element into this picture which I will comment on later, and that is the possible competition with your contract when the New Orleans market ends in 1954. That is, 12 years from now Interstate Natural Gas Company will be faced with the problem of whether it any longer will participate in the New Orleans market and half of our line capacity is devoted to that very thing today. Unless we build up a market at Baton Rouge to take care of that line capacity, we will be faced with a very serious problem. I mention that because this Commission has no jurisdiction over any gas that might move by some new pipe line from the southern fields of Louisiana over to Baton Rouge because it is wholly an intrastate movement.

That New Orleans business is a separate thing, and I think should be considered separately. In the first place, Respondent does not sell at the city gate. The sales at the city gate are by United Gas Pipe Line Company. We participate in this movement south of New Orleans up to New Orleans on this basis. Mind you Interstate had the contract to transport all the gas. Therefore, United, which had the city gate contract, had to come to us and say: "Well, will you increase your facilities?" Well, what we did, we got together and both of us seeing the wisdom of it, we eliminated that expenditure and United Gas Pipe Line Company built these pipe lines to New Orleans from those southern fields. We built them with an agreement between United and ourselves under which they would hold legal title, would build, operate, and manage the line; we would put up 50 percent of the cost and then when the receipts were in each year, each month, the deliveries from that line are computed as being the weighted average price of which gas is sold at the city gate New Orleans. There are deducted from that the expenses of operating the line, and then the rest is split 50-50.

We, however, do not have the contract. We do not sell, but it has worked out in that fashion. I mention that because I think the New Orleans situation, that is, it seems to me that if this Commission feels that our participation in that New Orleans business is resulting in more money to us than we should be getting, then I think the whole New Orleans situation ought to be considered as one.

You have got a case involving United Gas Pipe Line Company which, I assume, is far from completion, but that company spreads all over the south, and I think this New Orleans situation could be dealt with either by conference or by some procedure so that the whole thing could be taken care of at once.

With those two types of business, therefore, first, sales in the field, and, second, sales to New Orleans, those are the things we are going to deal with.

Now, as the Commission has undoubtedly surmised by this time, with respect to the sales to three pipe lines in the field, I am coming here seeking to use as an umbrella the decision of this Commission in the Columbian Fuel Corporation case. I was somewhat surprised,—but one is always subject to certain surprises in these days —that evidently Commission counsel never heard of that case because I have searched in vain both in their main brief and their reply brief for some comment or reference to it, and lo, there is nothing said, so that I feel I have at least accomplished something by bringing that case to the attention of the Commission counsel.

I am not going to reargue that case. That is, you have decided it. I think I have a right to assume that that is the decision of the Commission, and what I think I should do is try, by analogy, to show whether or not the operations of this company come within the doctrine of that case.

In the first instance, the Columbian Fuel Corporation case involved a concern in the State of Kentucky which had 138 wells. Now, we have 110, so we are not quite as big. They had a system of gathering lines, field lines as they might be called, taking the gas from those wells to points of delivery in that field in Kentucky, to a company called the Warfield Natural Gas Company, which, in turn, had a pipe line that transported that gas immediately over into the State of West Virginia or into a compressor station, and then it went on through into the State of West Virginia and comes on through to Washington. I don't know how much of it, but some of this.

There was nothing said in that opinion as to whether those lines were gathering lines or what not. It was apparently assumed and admitted by all that all of the pipe lines which the Columbian Company owned were gathering lines. That is, the process of movement of the gas from the wells to the point of sale constituted gathering. That seemed to be an assumed fact. So that there was no technical discussion of where does gathering end and where does transmission begin.

That company also had some field compressor stations and not only, therefore, did that company produce gas from a well and take it to a point of delivery, but before it made a delivery it had to compress it and put it at higher pressure, so that that factor would have no particular bearing.

We don't have any situation of that sort simply because the pressure of the wells is higher. Some day we will have.

Now, we described, through our witness, the manner and method in which this company's field operations are carried on. I apparently made a very serious blunder in using the word "gathering" in our testimony and in our exhibits because I was charged in the hearing, and

I think in Commission's counsel's brief again the thing is laid at my door, that we are promulgating some new theory here and using the word "gathering" and using the idea we talk about.

In other words, it would appear that the first time the connotation of "gathering" was ever used was in 1938 when the Natural Gas Act was passed.

Now, of course, we all know that is not so. We know that in the oil business right from the beginning, for 75 years now, there have been oil wells, there have been gathering lines, and there have been transportation lines. You can go to the Interstate Commerce Commission and you can find tariffs that provide for a gathering charge and you find tariffs that provide for a transportation charge.

We cited in our brief two cases which involve the Federal excise tax on oil pipe lines which is a tax imposed only on the transportation of oil. In that case two companies had contested the assessment of this excise tax on the grounds that it was not transportation, that is, the movement was not, but that the movement was gathering.

I am just going to make one reference to it because I think it is pertinent at this point, that the Supreme Court in a case involving Gosden Pipe Line Company and commenting on the fact that it carried this oil, this pipe line did, it was not a common carrier in this instance, but it was subject to the tax just the same, whether it was a common carrier or not. It said common carrier pipe lines had both pipe lines and gathering lines. The plaintiff has no tariff stations but its lines are gathering lines only and comparable to the gatherings of the common carrier. There was a stipulation entered into in that case which said this: Any pipe line reaching from any point where oil is purchased or produced to the trunk or main line or to storage tanks at

or near the main or trunk line or to tank farms is called a gathering line without regard to its size, distance, or the amount of oil carried through such line to the trunk or main pipe line.

Now, that is the practical significance of gathering. I think that the Commission in reviewing this case should not try to determine it on small technicalities of whether or not a particular line in the field no longer receives gas from a well.

I got the impression at the hearing and again in the briefs that the Commission counsel says: "Well, here, here is line F-51 and after this junction with line F-19, at the point I am mentioning, there is no more gas fed into that, therefore, that is transportation." So that there is some indefinable, invisible point in a pipe line between the well and the place where the main movement begins in the big pipe line, where there is a change, in some way or other, a regeneration or a rebirth from gathering to transportation.

The Chairman:

Just to be able to keep your argument perfectly clear, could you point out on the map again the three points at which the deliveries are made to United Gas, to Mississippi River, and to Southern Natural?

Mr. Dougherty:

The delivery to the Mississippi River Fuel Corporation is shown at the letter "R" which I am indicating.

The Chairman:

Those are the three companies where you are raising the question of jurisdiction?

Mr. Dougherty:

Two companies at that point and one company here at Guthrie.

The Chairman:

Those are the companies which you claim are not subject to our jurisdiction.

Mr. Dougherty:

Now, to get oriented, the point where Fowler is is the main compressor station of the company, and you will note these lines—here is a line that runs up in this direction (indicating).

The Chairman:

That is the direction of flow to those sales?

Mr. Dougherty:

Sometimes and sometimes not. I think I explained what that line i[redacted]t starts at a point named "G" and extends between [redacted]at and the point "Fowler.". When this company was started in 1926, as I said, these pipe lines were not there. One of the two I mentioned, two sources of gas, were the United Carbon Company and the Southern Carbon Company. Consequently Fowler was the compressor station of the Respondent. It bought gas from those two last named companies, Southern Carbon and United Carbon, along this line. That point "G" at the end of it is where the Southern Carbon delivered into it. The point "H" again Southern Carbon, at the point "L" here United Carbon, and at the point "I" against Southern Carbon. In other words, that was the line that ran completely and exclusively down to Fowler.

The Chairman:

From wells where?

Mr. Dougherty:

Wells that were up in the yellow and wells in the blue. Along up in this area from the gathering system

of Southern Carbon to the gathering system of United Carbon at this point (indicating), the sale was made to Respondent and gas moved along this line which I have indicated, which is called F-1. That is the first line.

The Chairman:

I think the important thing is how the gas flows from your wells for delivery to these three companies.

Mr. Dougherty:

That is right.

The Chairman:

Now, if we could get that traced very broadly, I would like to—

Mr. Dougherty:

(Interposing.) Exactly. I want to make that preliminary statement to show you why that line was put in in the first instance.

When these pipe lines companies were established, they were established along this line because that being places where Southern Carbon, United Carbon, and also United Gas Pipe Line Company had points of delivery, and also because this F-1 line was tied in to the Interstate Field system that was the most convenient and strategic point to locate those stations.

At the present time gas can move into the two stations—that is, the Mississippi and Southern Natural stations—in this fashion. I think I can run it backwards possibly.

The Chairman:

You are reversing the flow now?

Mr. Dougherty:
Yes. Those companies were tied in and supplied by the line F-33-A, which I am indicating. That, in turn, gets the gas from F-1. F-1 flow generally is in this direction, but also gas comes in still at this end (indicating). It is what might be called a header or reservoir.

The Chairman:
As far as your gas—

Mr. Dougherty:
It flows in this way.

The Chairman:
That is what I want to get.

Mr. Dougherty:
Except gas that we purchase still from Southern Carbon, which is delivered at this end.

The Chairman:
At the point there where the delivery is made to those two companies, is there more than one line delivering your gas to it

Mr. Dougherty:
Not our gas, no.

The Chairman:
How far back do you have to go in the flow of your gas before other lines begin to come in?

Mr. Dougherty:
We get some deliveries, as I say—you mean gas that we purchase?

The Chairman:

No. That is involved in this proceeding, that is what I want to know.

Mr. Dougherty:

We come back all the way along through this F-1 to a group of connections at the Fowler Station, then we go on back up to these lines, and we go up to where the wells are.

The Chairman:

That is what I want to get at.

Mr. Dougherty:

For example, to start out with, this group of high pressure wells that is up in that area have no part in the furnishing of gas, they being at a pressure of around 350 pounds, through this pipe line that is 206, and then through a connection with one called F-33. That gas is by-passed by our main compressor station and ties in with a line called T-9, and goes on off the map and then comes back into our main pipe line further on. That does not involve those three sales. Gas is gathered in these intermediate areas there and flows through the short lines into the larger gathering line, comes on down and can move in a variety of ways.

When it gets on down here to Fowler, there are two or three—for example, here are three lines coming in here, F-59, F-3, and F-10. As gas comes in this production area—that is, the main production area of the company—on down to this line at Fowler, it can then move into the compressor station by reason of valves and compressor stations in the yard, or it can move into F-1, and the gas, while it moves to the Mississippi and Southern, goes through F-1 and is delivered to those two companies at that point.

Commissioner Seavey:
Is that field gas processed before you sell it?

Mr. Dougherty:
I don't know as I know just what you mean, Mr. Commissioner.

Commissioner Seavey:
Is the gasoline extracted?

Mr. Dougherty:
No; there is no gasoline extraction for Monroe gas. It is a complete dry gas.

The Chairman:
When the gas coming from these fields here (indicating on map) reaches this point (indicating) is there a choice as to whether it shall move by this line or this line (indicating)?

Mr. Dougherty:
Yes; they are interconnected and it can do that. There is no single movement of gas that has to start in one group of wells and move to a definite inflexible set of lines.

Where you see these places (indicating), except where you see a little curve like that (indicating), there are connections, and there are connections at the points you have indicated.

The Chairman:
In other words this line and this line (indicating) are simply an increasing of capacity of delivery from this point to this point (indicating)?

Mr. Dougherty:
Yes. It is an increase in the capacity. These lines (indicating) run further on up.

Commissioner Manly:

What is the function of this line (indicating)? How about this line?

Commissioner Draper:

I don't believe the reporter got what you said.

Commissioner Manly:

What is the function of this line marked F-36?

Mr. Dougherty:

That indicates a six-inch line. At one time the gas moved from left to right, tying in with a line called F-33.

At that time the line F-33 moved on to a connection with F-1 and F-33-A for delivery to the Mississippi and the Southern Company.

You will note, starting from the point of intersection of F-30 and F-33, running to the northeast, a 16-inch line called F-33 extension.

When that line was built it was built to take care of high pressure wells in the middle area of the field, and a break was made between F-30 and F-33, at that point, so that now there is very little movement through F-30, but there is an emergency connection so that high pressure gas in F-30 could come westward.

That is, it originally went east; now it can come west.

The Chairman:

Is this F-19 or F-18 (indicating)? I can't quite read it.

Mr. Dougherty:

F-19.

The Chairman:
What kind of line is F-19?

Mr. Dougherty:
That is a line which takes gas mainly from the Hope Producing Company wells, the sale being made right at the point of delivery.

You can see it says, "Hope Producing Connections," and then that is simply taken on in through the system.

Commissioner Manly:
Now, this gas that, as I understand it, moved down on F-51 down to Fowler, and then from Fowler over F-1 up to your delivery points at F and G: is that gas changed in pressure at Fowler?

That is, does that pass through your compressor station at Fowler?

Mr. Dougherty:
No, it does not. By changing the gate valves and changing the direction of flow, that gas can move into F-1 or it can move into the station itself for compression, and then for delivery on down.

Commissioner Manly:
If it moves up through points up here (indicating), it is not compressed?

Mr. Dougherty:
No; it is not compressed. The contract pressure is 50 pounds. Actually it is delivered at 100 or 150, which is the same pressure at which it comes up to our compressor station.

Commissioner Manly:
Where does the compression of gas which is delivered by H and G take place?

Mr. Dougherty:

That takes place at the company itself. In Exhibit 42 we have a series of photographs which show those stations.

On Page 24 is a picture of the Mississippi River Fuel Corporation compressor station, and that is located at R. It is located at point R.

Continuing with those photographs we have on Page 25 another view, and then Page 26 shows the headers that go into that station.

You see, deliveries are made by this Respondent and by the Hope Company combined, and then by United Carbon Company, Southern Carbon Company, Union Producing Company. They all come in on a parallel bank, and that is where delivery is made.

Here is a closer view on Page 27 (indicating), where it shows that all of us come in there and deliver at the same point.

Then some of it is compressed under low stage compressors, and this (indicating) shows a photograph of the low stage compressors in the Mississippi station.

This again (indicating) is another photograph—Page 29—of low stage compressor engines, and then Page 30 shows the high pressure which takes gas, some directly from at the points of delivery, and then other gas from these low stage compressors, and that is the place (indicating) where the station is located.

Now, you have got the same thing in here for Southern Natural.

Commissioner Manly:

Where do you deliver the Southern Natural—at I or O?

Mr. Dougherty:

It is at V.

The Chairman:
(Indicating.) Is this where the Sterlington steam station is?

Mr. Dougherty:
Yes.

The Chairman:
Do you deliver there?

Mr. Dougherty:
No. longer.

The Chairman:
No longer?

Mr. Dougherty:
We did, but no longer.

The Chairman:
Where do they get their gas from?

Mr. Dougherty:
From the Union Producing Company.

Commissioner Manly:
Do you operate any other compressor station except the compressor station at Fowler?

Mr. Dougherty:
We do along our main line, at a place called Faraday, Louisiana, which is shown on the map Exhibit 7, and at Faraday we have a compressor station.

Commissioner Manly:
Where is Fowler?

Mr. Dougherty:

Fowler is clear at the upper left-hand. It is about midway.

Commissioner Manly:

Do you have compression at any place north of Fowler?

Mr. Dougherty:

None whatsoever.

The Chairman:

What are the distances involved from this point here (indicating)?

Mr. Shotwell:

Each one of those squares is a mile (indicating). Each one of these sections is a mile square (indicating).

The Chairman:

That would be about five miles?

Mr. Dougherty:

Probably about five miles from the river crossing down to the Fowler Compressor station, and it is about five miles from Fowler up to the points of delivery at Mississippi and Southern Natural.

Commissioner Manly:

Do you do any compressing at Fowler of gas for any other purpose except the movement through your main line southeast of Baton Rouge, or through this line (indicating)—is this a delivery line or a gathering line?

Mr. Dougherty:

F-4 is a gathering line.

Commissioner Manly:
That is a gathering line?

Mr. Dougherty:
To answer your question specifically, the compressor station at Fowler does nothing except compress gas which goes into line T-1, which is a line to Baton Rouge. I didn't mention this one before (indicating), which is the gathering system of low pressure wells, and that gas all goes through the DeSiard compressor.

None of that is involved, because of its low pressure conditions.

The Chairman:
Are there any deliveries of gas for direct industrial sales on this group line, before they get to Fowler?

Mr. Dougherty:
No. We make exchanges of gas, and we occasionally sell it for drilling purposes.

The Chairman:
Now, how about between Fowler and—(indicating).

Mr. Dougherty:
No deliveries on the line F-1, which runs from Fowler up to the end of it, except to there (indicating).

It can come out—well, I must make this correction: that we have only been talking about the two lines. Now, the Memphis station—and counsel for the Memphis Company is here; I don't want him to think I have been neglecting the company—is where W is marked, and deliveries can come either from that line or from this line (indicating), which is marked F-44, which again is tied in to the pipe line connection group in the yard at the DeSiard station to Fowler, and gas comes from this same

general area on down to this place at Fowler, and then moves—it can, by changing valves, it can move into this line (indicating) that goes into F-44, and delivery is made at that point, or gas can be taken on at F-1.

F-1, as I say, sort of a reservoir into which gas from our general field system moves.

Gas which we buy from other producers moves into it, and then from it moves gas to these three pipe lines we mentioned, and also can move gas on occasion to our compressor station.

The Chairman:
Where is the delivery to Mississippi?

Mr. Dougherty:
That is at R.

The Chairman:
And Mississippi and the United—R?

Mr. Dougherty:
Mississippi and Southern, R and V, respectively.

The Chairman:
Where is United?

Mr. Dougherty:
United is the sale that involves New Orleans, and that is at the DeSiard compressor station. We do not have any meters added.

We just simply take the gas in. As a matter of fact, where the gas is measured is when we deliver it at Baton Rouge.

The Chairman:
Compressed?

Mr. Dougherty:

Yes; compressed at the station. As I say, I have treated that—it seemed to me to be segregated and put into the New Orleans picture, and not involving the field.

Now, that is the manner and method of operation of these lines.

It is just like any natural gas company system. It starts at the well and moves through whatever lines and sizes were needed, then goes through these main field lines which of course have to be bigger to get the gas to get the volume, and it continues or until it comes to the point of delivery.

I think it is clear, from the Columbian Fuel Corporation case, and I think it is clear from the statute, that certainly the two ends of the natural gas business were thought better—or at least left out of the jurisdiction given by the Natural Gas Act.

Certainly, the distribution was completely and clearly left out, regulated by the state authorities. Certainly production is not involved.

Now, you have got a place, therefore, we know that transportation—the interstate transportation—is, and the sale in interstate commerce is.

I am not making any contention that, when this Respondent makes a sale of gas at Mississippi compressor station through this meter, a photograph of which I have shown you, that that is not a sale in interstate commerce.

I know that if Congress wished to regulate the price at which that company sells that gas to Mississippi, it has the constitutional authority to do so, and there is no question of that in the Columbian Fuel Corporation case.

The whole question is: did Congress so intend to do at this time? and this commission has decided that, under a certain set of facts, that the delivery of gas in

that field—Kentucky—even though some of it had been compressed, was a delivery made immediately after production and gathering, and that it was not intended that there should be any regulation of that sale.

The Chairman:

You mean there is a gap in regulation? There is no state, neither is there Federal, provision for regulating that sale at present.

Mr. Dougherty:

Quite so. I think that, as this provision has been decided, Congress had not made up its mind that it should be done, and neither had it made up its mind that it should not be done.

There are many practical reasons still existing. I feel firmly convinced that this company, because it happens to own a pipe line and happens to be subject to jurisdiction with respect to a certain portion of its business, should not be treated any differently than a company that does not own a pipe line but who sells gas in the field and moves in interstate commerce under the same circumstances and set of facts as we sell it.

To do otherwise, I think, would be an arbitrary distinction.

The Chairman:

Is there any competitive distinction that has put these company's sales that we have been discussing in the category of purchased gas from some other purchaser or gatherer, or are they practically limited to obtaining their supply from the Interstate?

Mr. Dougherty:

They certainly are not limited to obtaining their supply from the Interstate.

I want now to come right back to that point that was mentioned in the Columbian Carbon case, where at the end the Commission said that "there may be situations where, by reason of affiliation, by reason of control in the field, either through acreage owned or through contract or otherwise, possibly the price has been fixed artificially, and when that situation presents itself this Commission will decide whether it then has jurisdiction or whether it should recommend to Congress some change in the law."

Now, so far as the Respondent is concerned, we own about 20 per cent of the acreage in that field: We sell to the Mississippi 22 per cent of its demands. That contract, I think, expires in 1952.

Take that contract itself: if we do not keep up our end of the bargain, then Mississippi has the right—or the other sellers in the field have the right—to take up our share, so that to that extent it is competitive. That is, we have got to keep up our end of the deal or else we lose the business.

The sale to Southern Natural: we sell 16 per cent of that line's requirements, and in that case, while in the beginning the entire supply for that company was taken from five producers in the field, last year a new contract was made under which Southern Natural produces 25 per cent of its requirements in the Logansport field, which is in Western Louisiana south of Shreveport.

Of course, we have got a definite contract. They have no right to take more than 25 per cent until we revise the contract, and of course in turn they require us to deliver them the 25 per cent.

It is a mutual obligation. It isn't just a question of like you go out in the field and buy gas, whatever he can put in the line.

We have got to do business; we have got to go out and see that we get the gas.

So 16 per cent is there. On the Memphis sale we sell 24 per cent.

Now, I must be frank with the Commission, of course, and I think here is a situation that, in this Monroe field, by virtue of the fact that the contracts made with these pipe lines, or with five producers that together control 77 per cent of the field, that those contracts are made, as I say, there is a little varying in the percentage which each producer has under each contract, but the contracts are identical, except with respect to description of properties and percentages.

The prices are identical; the terms and conditions are identical.

The Chairman:

Is that by agreement?

Mr. Dougherty:

By agreement. We each have a separate contract, you understand, but it is prepared after discussion with the various interested parties, and when we get through we have pretty much got the same sort of a contract—that is, each producer has the same sort of a contract.

The Chairman:

That is, you have divided up the business and agreed on a price; is that correct?

Mr. Dougherty:

Right. So that prima facie I am willing to admit that they are situations that lend themselves to this residual part of the opinion in the Columbian Carbon case.

Commissioner Manly:

Has Thurman Arnold ever pursued you for that?

Mr. Dougherty:

No, he has not, and I presume it is all right, because he has not left anybody else untouched, Mr. Manly.

Now, the situation with respect to that factor, I think, is this:

We are only one of that group of producers. This question of sales by this Respondent to Mississippi came up a couple of years ago, before the Commission, when our contract provided for increase from 7.5 to 8 cents on all gas. The Commission, when we filed our regular notice of increase, the Commission suspended the rate with respect to that portion of the gas which eventually is sold by Mississippi to distributing companies.

They did not suspend that portion which Mississippi sells to industrial customers, because of the provision of the statute.

We came down for a hearing. We put on considerable testimony about the character of operation in the field, and the Commission said they had jurisdiction, and denied our increase because we hadn't justified it.

Then we filed an application for rehearing, and then came the Columbian Fuel Corporation case, and then the Commission granted our application for rehearing, and that case is still pending,—I think the docket is 146—and right about that same time there had been started a proceeding against the Southern Carbon Company and against the United Carbon Company—I think Dockets 144 and 145,—of course, the United Gas Pipe Line Company has a general rate case—so that this Commission had, and has had now for more than two years, a series of cases which concern this situation in the Monroe field.

In Docket 181 a proceeding was started against the Mississippi River Fuel Corporation, the purpose of which it was said was to investigate this connection between these producers, because the affiliated companies of the

producers were the ones who financed and built the Mississippi River Fuel Corporation.

That proceeding started and voluminous documents were required.

Commissioner Scott, I believe, was the supervising commissioner. Mr. Gorman was the one conducting the proceeding. And we had some hearings, and then we furnished trunks of documents and information, and that is the last we have heard of it.

I feel this way: that if there is to be any question, or if there is any question, in the minds of the Commission, as to whether or not this company comes within the exclusion laid down in the Columbian Fuel Corporation case—namely, no jurisdiction, because gathering and production—then the time for that investigation, to see whether we fit into this picture of domination in the field by contract or otherwise, whether we have fixed an artificial price, ought to be carried forward in this group of proceedings to which I have just referred, because, while in this case the Commission counsel put in some extracts from the Federal Trade Commission that relate to the Federal Trade Commission case of Mississippi, that whether or not this is an artificially fixed price primarily must be considered when all of the companies are here.

Then again, I don't think it is fair, just because we happen to own a pipe line, and because we helped and got our case quickly tried, and have cooperated, that we should be hit on the head with a reduction in price, when the rest of the boys in the field keep on getting their eight cents: that desn't seem like equity to me.

I think, when the Commission considers that situation, it won't feel that it should treat us that way either.

Commissioner Draper:

Is it your position that if the Commission had jurisdiction over your sales these field sales—that we also

have jurisdiction over the other sale or sales in the field?

Mr. Dougherty:

I can't answer that question, because I am not familiar enough with the character of gathering systems and deliveries either. I think, in principle, my answer would be Yes.

I think I can see, from the basis of what I know, I can see no reason why this Commission should regulate a sale we make in the field and not regulate a sale Southern Carbon or United Carbon makes in the field.

The Chairman:

Aside from the relationship or the appointed relationship between this company and the Mississippi Company, wouldn't your statement that the price in this field was fixed by agreement between a group of producing and gathering companies which had divided up sales from the field be an indication of an artificial price?

Mr. Dougherty:

I said it might be prima facie a situation that required investigation. I don't think that, merely because the group have agreed on a price, that it is artificial, Mr. Olds.

The Chairman:

What is your conception of an artificial price?

Mr. Dougherty:

I think the conception of an artificial price is one that is fixed without regard to any of the factors that normally people consider when they are bargaining for a price.

The Chairman:

When they are bargaining for a price it generally involves some competitive bidder, doesn't it?

Mr. Dougherty:

Sometimes, and sometimes not. We bargained for a price at the city of New Orleans. That is, United and ourselves have.

We bargained for a price with the city of Baton Rouge. For example, when the University Field came in there at Baton Rouge they said, "Look here; here is all this gas." Our contract had two or three years to run, and they called us down, and we made a deal with them, and we reduced their price then, because they were able to buy gas cheaper. I don't think that is artificially fixing the price, because it is negotiated.

The Chairman:

Whether it is negotiated or not, where the competitive factor is not present, then the criteria that would have to be applied, to determine whether the price is artificial or not, would have to be the criteria that are involved in regulation, wouldn't they?

Mr. Dougherty:

The cost criterion, I think, is one—and a principal—criterion.

My conception of it is that it isn't only just this rule of thumb that you use when you are talking about pipe line rates.

I think there are other things that need to be considered.

What I am getting at is that I firmly feel that it is not fair to this company to try those cases—those other cases—that whole situation—right here, and cause us to reduce our price, say—to Mississippi now we are selling

gas at 7.6 cents, the distributing company gas at 8 cents, the gas for industrials—right now the Southern Carbon and Southern Gas are getting 8 cents for the same gas we get 7.6 cents for.

Look how competitive this is (indicating). All up and down this line (indicating) and through this field (indicating) you will find it.

We are taking it out of the same sand. We get 7.5; they get 8.

We don't know what their costs are. Maybe their costs are less; maybe they might be more.

The Chairman:

Do you suggest that it would not be fair to try the whole case on the basis of your company?

Mr. Dougherty:

Right.

The Chairman:

Are you implying that the case should be handled, where all are brought in in one combined case, to determine whether or not this is an artificial price?

Mr. Dougherty:

Yes. You have got to. The proceedings have been here for a couple of years—the ones I have just mentioned.

The Chairman:

Those involve the Mississippi?

Mr. Dougherty:

There is one case which brought in the Mississippi—Docket 181. Before that there was a case against each one of these producers—133, 134, 135, 136, and 137.

Those dockets involved the sale of gas in this field—not as broad as we are now talking about it—to a whole group—but it definitely concerned each one, and whether or not there was jurisdiction.

For example, United Carbon Company has never filed any schedules with this Commission.

The Chairman:

You are suggesting that there ought to be a consolidated case?

Mr. Dougherty:

All you have got to do is consolidate those four cases for hearing, and you have got the problem. That is the way in which this question of the Monroe field should be settled, not piecemeal and not because we have gotten our case here first, to give us a crack of three cents, because the figures show it, and then let the rest of the fellows benefit.

Suppose you did it. Suppose we get on to the proposition and you said, "Boys, that is too bad, but here you are, and we have got to do this job."

Mr. O'Connor said that on his figures we are making, I think, $300,000 roughly more than we should on the Mississippi business—that is, as I say, on a round 20 to 22 per cent of the business—and when you spread that all over the gas which they buy out of that field, it amounts to about 3/4 of a cent.

If you took $300,000 from our pocket and gave it to Mississippi, what would happen to it? That is not enough of a reduction to spread over all their business that you would ever notice it when you came down to reducing it to the distributing companies through which they sell gas.

The Chairman:

If there was a three-cent reduction in their rate at these points of delivery, would it mean that you would get any larger percentage of the business from these three companies, if they were to transmit the gas elsewhere?

Mr. Dougherty:

None whatsoever, Mr. Olds. My understanding of the law about these contracts which were made when they were legal, then comes along regulation affecting the price, and while you change the price you do not change the legal obligation either to take or deliver, and we have no right to compete with the rest of these fellows even though we are getting less: they still have a contractual right for this percentage.

The Chairman:

In other words these other gas companies, under the situation, even if we have jurisdiction, would have no right to obtain gas if you had it to supply from the cheapest possible source?

Mr. Dougherty:

That is absolutely so. The 10th Circuit Judge Phillips, writing an opinion, had a case involving a similar situation out in Kansas. He definitely held that.

Commissioner Draper:

Can you give me the citation of that case, please?

Mr. Dougherty:

I will have to do it later.

What I am getting at is this: what you gentlemen do is change our price; you don't change any of the rest of the provisions of an existing contract. When we

make a new deal you may have something to say about it, but that is the law as I understand it, although, in some instances, I wish it were not so.

Commissioner Seavey:

Isn't the law, Mr. Dougherty, that any contract entered into under the conditions that you mentioned may be voided, if in any way they come up against that situation?

Mr. Dougherty:

If so, I think this is not the tribunal in which that takes place. I think the voiding should be in a Court of law.

I think what you got jurisdiction for in 1938, in connection with these contracts, was the right to change the price. That is my understanding of the legal situation.

Commissioner Seavey:

We do have supervision over the service and the operating conditions under which the service is being performed; I think you will find, as you go into the cases, that contracts have been voided for reasons other than price, that where it was determined by the party controlling the utility that had the contract, that if it was against the public interest, for any reason, it could be voided.

Mr. Dougherty:

Well, as to contracts made after regulation takes effect, I don't think I would take issue with you, but my understanding of the law is as I have stated, and if it is otherwise maybe we will come down and ask you to give us a bigger share of this business if you reduce our rates.

My colleague comments on the fact that if you did want to change those percentages you ought to have those companies here so they could have their day in Court, at any rate.

I don't want to take too much time on this. It is, I think, the most important point in the case—which is left in the case.

I think I have outlined the things that we rely upon. If there is any further question—

The Chairman:

(Interposing.) I think the discussion of the map really made the picture quite clear to me.

Mr. Dougherty:

That is what I had hoped would result, Mr. Olds.

I mean, that is the whole situation, and I don't think anything more I could say on that would add anything.

Now, I am going to pass next to this question of New Orleans business.

* * * * * * *

Thank you.

The Chairman:

Mr. Lange.

ARGUMENT OF EDWARD H. LANGE.

Mr. Lange:

If the Commission please, this proceeding, as counsel has stated, is unusual in some respects, but he didn't state the unusual aspects of the proceeding in other matters.

It was significant, with reference to the jurisdictional phase, that right at the outset the statement as to the Company's properties and operations was very patently pitched on to the production end and the field properties.

As a matter of fact the record clearly shows that this project had its inception in 1925 as an interstate pipe line. It was a pipe line project from its inception. It was a pipe line project from its design. It was a pipe line project from its operations through the years.

Now, then, starting from that point, the picture very definitely changes. Not just as a producing company, or a gas purchasing company in a field, but as a pipe line project, starting from that point, in 1925, when the refinery of Standard Oil situated at Baton Rouge, Louisiana, was looking about for cheaper fuel, they contacted the engineering firm of Ford, Bacon, and Davis, and others, and learned that there was quite a possible producing area for natural gas in northern Louisiana, what was later known—and probably then—as the Monroe field: an extensive gas-producing area and field as it has subsequently been shown to be.

Now, they were situated at Baton Rouge. The cheap fuel was up in northern Louisiana. It was a matter of constructing a pipe line to bring it to the refinery.

The Interstate would never, under all the circumstances in the record, have been in that field in Monroe as producer or as purchaser of gas if it hadn't been for the fact that they needed, as one of the outlets for gas, they needed cheaper fuel at Baton Rouge.

All right. They acquired the acreage. The line was constructed in 1927.

At that time the refinery was served, and shortly thereafter service was rendered to the city of Baton Rouge for distribution and sale at that point.

The Chairman:
Which portion of the line, as is shown on the map, was that original 1925 line?

Mr. Lange:
It was a single line, Mr. Olds, subsequently looped through the tip end of Mississippi.

The Chairman:
Does it show on that larger map?

Mr. Lange:
These are just the points of connection there (indicating).

There are the two lines (indicating). The two lines converge into this (indicating) outside the field at Alto. At that time there was one line.

Later they looped the lines, both lines come out of the field and converged at a point called Alto or thereabouts, and then moved through northern Louisiana into Mississippi back out.

The Chairman:
I want to understand, in order to be clear on what you are saying.

This Interstate pipe line, which you say was conceived in 1925, does not appear as any of the lines on this large map, does it?

Mr. Lange:
On this map (indicating)?

The Chairman:
Yes.

Mr. Lange:
No, excepting the connecting points.

The Chairman:
I see. All right.

Mr. Lange:
Now, then, subsequently, as I say, the line was looped, but the Interstate transportation and sale of the gas took place at that time, from the beginning, and has continued.

The line, as I say, transports gas through northern Louisiana and into Mississippi, and back into Louisiana, and the project has at all times been considered one of transportation and sale of gas in interstate commerce; going back again, then, to the inception of these proceedings, what brought about these proceedings was the complaint of the Louisiana Commission that originated subsequent to the Louisiana Commission's inability to effect any regulation of the rates of this company resulting or arising out of an injunction proceeding in the Federal Courts in Louisiana, in which the Louisiana Commission was enjoined from taking any further action in connection with that investigation, and in connection with the obtaining of that injunction this company then again specifically made its position clear: that its operations were 99 per cent plus in interstate commerce, that for that reason, and for the reason that they were not, as the company claimed, a public utility under Louisiana statutes, for those two reasons, they asked that the local commission be enjoined, and in connection with the obtaining of that injunction there was a very definite spelling out by Interstate as to its interstate operations, specifically in connection with these four pipe line sales.

The Chairman:
As I understand the argument, though, the question isn't raised as to whether Interstate is engaged in the

interstate transportation of gas or the interstate sale of gas, but they are bringing the question down to the matter of whether or not these specific lines are gathering lines up to the point where sales are made to three interstate transmitting companies.

Mr. Lange:

Yes. I was just getting to this point, though, Mr. Olds: that the company has been operated mechanically as a single integrated project.

They dispatch the gas throughout this whole area. One dispatcher dispatches the gas for all outlets. All gas is intermingled, whether it goes to these three pipe line companies, whether it goes to the New Orleans market, or any of these markets.

You have got an interstate project through which gas is dispatched that can't be segregated out—it is one movement of gas, all of it in interstate commerce, and on that point Interstate's one sale that they attempt to single out —the sale to United Gas Pipe Line Company —that they would say, "Oh, that isn't an interstate sale; we are making no contention about that," and the record so states that they are not making any contention as to jurisdiction, that gas is commingled and is dispatched with all the other gas that moves out of the field.

It is one integrated operation, carrying out the original design of it, and operated on through the years in that fashion.

Now, then, counsel raised the question as to why there was no mention made whatsoever as to the Commission's opinion in the Columbian Fuel case, as if it were incumbent upon us to attempt to distinguish the facts.

We predicated the facts exactly on what took place in that particular case.

Now, then, if they do want a distinction, this commission, of course, knows that in the conclusion reached

there the Commission specifically stated that, if the company is not otherwise subject to this Commission's jurisdiction—In this case the Interstate specifically admitted, and in its findings of fact that it asked this Commission to make right at the beginning it states it is a natural gas company under the Act, within the purview of the Act.

It not only states that, but asks this Commission to so find.

Now, then, if this Commission follows through on Interstate's request for that finding—that is, that it is a natural gas company—which brings it right squarely into what this Commission had in mind, that it is not otherwise subject to this Commission's jurisdiction—and that becomes more pertinent when you consider the fact, as I have stated, that the entire operations were designed, and have been carried out, as an integrated unit, as a pipe line project, which there is no question but what that is what Congress had in mind—a pipe line unit—that is what this company's operations have resulted in, and have been so carried out throughout the years.

I don't see how, mechanically, there could be any distinction between certain of their field operations, as compared with other of their field operations. Certain operations, they would say, were not outside the purview of the Act. And then they would carve out three pipe line sales which happened to include the major portion of their operations, both in dollars and in volumes of gas, carve them out and attempt to set them aside and apart, separable from the others, when mechanically they can't be so carved out, and never have been so carved out.

They would say that we shouldn't proceed in a theoretical fashion but proceed practically, and take them at their own mechanical operation of the plant, just as the record shows. There isn't any equivocation about that at all.

For the one point, if the Commission, for instance, takes that United sale, made in the field, all of which gas is in the same balance, it is dispatched, it is not carved out or segregated, and they definitely admit in the record that that sale is not objectionable, that this Commission has jurisdiction over it, how can there be any consistency between the two positions, in the light of the Company's own operations throughout the years.

It isn't just a statement that they view it in that fashion, but the mechanics of the operation have been so carried out.

I don't see how the company could come here, in the light of the record that has been made, and attempt to put this commission in the position of trying to distinguish the Columbian Fuel and put it in the same pattern as Interstate.

Interstate would say that it is incumbent on us to make the distinction.

Certainly it isn't. We show what the facts are, and if they want to try to distinguish it and make it come into the same pattern—a wishful pattern, I believe—then, of course, it is their burden to do that, but I say very specifically that, in the light of the Commission's own findings in Columbian Fuel, this is not Columbian Fuel: this is Interstate, the basis of the facts of which are clear-cut; it is an integrated project that has no relation in its mechanical operation with that of Columbian Fuel, by any means.

This is a pipe line, and if the Congress had anything in mind that I can find from their purposes when they enacted the Natural Gas Act, it was to bring within the purview of this Act the operations of pipe line companies.

This company, if its field operations respecting these three lines are not subject to regulation, it is already shown in the record that the Louisiana Commission has

no jurisdiction over its operations, in any phase of the field operations or transportation operations. That is out; there is no regulation there.

Certainly the Natural Gas Act, and the framers of the Act, would not have had in mind the exclusion of the operation of a line that was designed as a pipe line for resale of gas in interstate commerce.

The sales of every one of these pipe lines—Mississippi River Fuel, Southern Natural, Memphis Natural—are for interstate commerce and for resale, the gas moves, as the company's own officials stated, uninterruptedly from the well mouth through all the facilities outside the state of Louisiana, and on to the place where it is resold at distributing points—Atlanta, Memphis, St. Louis.

If this provision of the Act that they are relying upon as excluding—claiming to exclude—production and gathering, were applicable, then any pipe line company that was originally designed—as this one was—as a pipe line company, and subsequently found that it could make profitable field sales and get together with all the owners in that area, or the majority of them, or those that had the greater portion of the acreage, parcel out the market, and then carve out of its field operations as not being subject to the provisions of the Act, it could be conceivable on its face that the very purpose of the framers of the act would not be able to be carried out by any regulatory agency.

This is definitely true in this situation here, and the United sale alone shows very clearly what the company's position is with reference to whether the sale and transportation of a certain portion of that gas is in interstate commerce, subject to the provisions of the Act, and is not separable from those others that it would carve out.

I don't think there is any consistency in that position at all.

I don't think the record shows that there is any consistency, that it is not supported by any argument that it should be excluded under the section of the Act.

We believe that the history of the project, the operation of the company, and particularly its background, the way the company's capital structure was framed, the holders of the stock, those who participated subsequently in these various contracts in the field, all funnel down to the point that this company was designed as a pipe line company that was expecting to transport gas from a field in interstate commerce, and so designed that field sales that it is making and attempting to carve out are not subject to the exclusion under the Act.

Now, with reference to their position as to the dollars involved:

It is true they did accept the Commission's original cost figures, but that is where they stopped.

It is true they didn't put in a reproduction cost new estimate on the property, but they did what may be in effect the very same thing, because it accomplished what they desired to accomplish: Instead of accruing depreciation in the method as provided for under the rules, the deductions that they made from those original cost figures were predicated, as was stated, entirely on observed deterioration theory.

In other words, the same methods were employed in determining what they would say is the deductible observed deterioration as had always been employed in determining what a reproduction cost new unit should be. The same method and formula is involved.

And despite the fact that they had accrued on their books somewhere in the neighborhood of ten million dollars as a depreciation reserve, that of course is beside the point in so far as their calculations are concerned.

For that reason I called that to the Commission's attention that it is true they did not dispute the original

cost in dollars, but they did get about it in the roundabout fashion that ordinarily is pursued in investigating reproduction cost new estimates.

Now, in connection with the company's operations there is no dispute as to the revenues and operating expenses, and I want to call this fact to the Commission's attention at this point, as to the point of operating expenses.

Counsel made the point that the company very readily accepted the Commission's estimate of the reserves in the Monroe field having a life of 35 years, and also the Commission's determination of what should be the proper service lives on which annual accruals should be based.

Now, then, here is the inconsistent position that the company has put itself in. I don't see how it can reconcile it.

They would say that a 35-year life is acceptable for them to get large annual accruals, but when it comes to determining accrued depreciation in the plant, oh, that plant will probably last 60 or 70 years or longer, but besides we don't take into consideration its probable life, but what is its percent depreciation at this time, which of course is a much smaller amount than the proper determination of the reserve is.

On the other hand they would want these large accruals for the short period.

In fact, their own official testified in the proceeding that they recommended a 35-year life for the purpose of determining those annual accruals—recommended it; didn't just acquiesce, but recommended it.

There is their inconsistent position on that. It just can't be reconciled.

Now, the reductions that they were made by the company, of course, affect, first of all, just a small portion of its operations in so far as the resale distributing companies are concerned, and then the transportation and

the sale of gas by United for the New Orleans market, but over all the sales for this company that we believe are, and should be, under regulation are those two—the pipe line companies, not only the three that they would have excluded from jurisdiction, but the fourth, the United, which they acquiesce is in the picture, and how this Commission could proceed in segregating those, and permit that portion of the revenue accruing in those sales to the three pipe line companies to be out from under regulation, and that portion of the revenue accruing under the sale to United—out of the same area and out of same gas—to be in the picture and subject to regulation.

We believe that when this investigation started, when this Commission proceeded to determine all the facts in connection with Interstate, it had before it a foursquare picture of Interstate's operations in their entirety.

If counsel says, "Well, you can't proceed in this case; you will have to wait, first of all, until this Commission determines what is the proper and correct price to be charged by United for the New Orleans market, or what should be the proper prices charged in connection with other field operations, you would have an endless chain, that never would result in getting the matter to a hearing; if you would have to get in every loose end of a company that is involved in the transaction with the company that is being investigated the Commission can readily see that there would never be any termination of where to stop and who to bring in, so I don't think they can maintain or make tenable their position in this investigation, or the determination of it, or the ordering of a reduction or the change in rate, by bringing in other companies from whom it buys or to whom it sells gas. If that rule were applicable you would never complete a rate investigation of any company: you would just have to cover the entire United States eventually, if you wanted to get

them all in—certainly everyone from whom the company buys, or to whom the company sells.

That is an impracticable suggestion, and I don't see how it could ever be attempted to be carried through in any practical manner of regulation.

I believe that the entire facts with reference to Interstate, its history, as to the purpose of its operations and its actual operations, are in the record, that they support the position taken by the Commission's staff in the determination of the amounts that should be reduced in their rate, or a basis of a 6-½ per cent return.

I don't think that it is incumbent upon this Commission to attempt to delay this proceedings until other proceedings can be either brought in or determined, but to proceed with this company as the record discloses, and determine the facts applicable to Interstate.

I believe that is all.

The Chairman:

Thank you very much.

Mr. Dougherty, how much time do you think you will need for your closing statement?

Mr. Dougherty:

My record on estimates isn't very good, but I will guarantee to finish by one o'clock.

The Chairman:

All right.

Mr. Dougherty:

If I don't, I suggest you rise and walk out on me, and that will end it.

CLOSING ARGUMENT OF MR. DOUGHERTY.

Mr. Dougherty:

With respect to the question of the instigation of this company as a pipeline project, I think it would be interesting to know what were its field facilities at the beginning.

They bought, as is shown in Exhibit 42, starting at Page 8, about 40,000 acres of land from a company called Union Power Company.

That included 11 wells and a couple of lines up near Sterlington.

In other words the Union Power Company was selling gas at the Sterlington plant.

Starting at the place where the Sterlington plant is, which is near the river, which I am indicating, Line 115, which I am outlining, was acquired and then Line 106 over at about this point (indicating) and up including that well (indicating).

There were 11 wells tied in to that right angle system that came down and sold gas to the Sterlington station, and that was all.

When the company came in and started its project, to build its compressor station at Fowler, and of course its pipe line, and in order to tie in to this field system that had been there engaged only in selling gas to the power company they built Line F-3 which runs up along the place I am indicating now, tying into that system so that in 1927 they owned just that much.

Also, they built this line from which deliveries are now made from Mississippi and Southern Natural for the purpose of receiving gas and bringing it down, because in the first instance the company purchased great quantities of gas the first five or six years as against developing its own acreage.

So that that included delivery point where it is marked F-2 or 3 up along with this line (indicating), so that was its system where it started the pipe line system.

So it has 110 wells, it has all the rest of these gathering lines that you see, and all these systems have been extended since then, and that, of course, has been both for its increased market at Baton Rouge—but it is of interest to note that the industrial gas which it sold in 1928, the second full year of operation, was 26 billion feet—that is, direct sales to industries off of this pipe line (indicating).

Then it went down and got down as low as 15 billion feet in 1932 and 1933. It never came up to its 1928 business until 1940, when we sold 27 billion, so that, so far as the pipe line operations were concerned, we had enough production and enough facilities in the field, and enough purchase contracts in the first instance to supply our whole market.

On the contrary, our sales to pipe lines in the first full year of operation, 1930, was six billion, and in 1941, 26 billion, so you can see how much of that production system has been built up.

I think, where Mr. Lange's distinction fails: he says that we have a complete system, a field system that goes right into our transportation system. Where his argument fails is that he neglects to realize that the same company can be in both a regulated and nonregulated business.

The Chairman:

Have you read Pages 13 and 14 of our opinion in the Columbian Fuel case?

Mr. Dougherty:

I think so.

The Chairman:

Would you feel that the system you are describing here, the Interstate system, fitted into the description of the basis for exemption of the Columbian Fuel system in those two pages?

Mr. Dougherty:

Is that where you say "not otherwise subject to jurisdiction" and talk about the affiliated—I am not sure that I read the whole opinion.

The Chairman:

You started out by suggesting that the Commission's attorneys had apparently ignored the Columbian Fuel case. I am wondering whether your argument for the exemption of these sales of the Interstate company, you consider, conforms with the Commission's viewpoint, as expressed in Pages 13 and 14.

Mr. Dougherty:

Yes, I do.

Going to the point about not otherwise being subject to jurisdiction, here is a pipe line that has a commingled group of gas in it.

Part of the gas that moves through that pipe line is subject to jurisdiction. Part of it is not. The industrial sales are now.

It is all a single pipe line. It is a single system. It does the same business.

It sells gas at the same place, some that the Act regulates, some it does not.

So that the fact that you are engaged in a pipe line business which generally is subject to regulation, doesn't mean that everything else you have is subject to regulation.

The Chairman:

But the Commission in dealing with the Columbian case was dealing, in the first place, with a system that did nothing but produce and gather?

Mr. Dougherty:

Quite so.

The Chairman:

So there is a distinction.

Mr. Dougherty:

Well, yes.

The Chairman:

And the Commission made that distinction in discussing the basis for its decision in the matter?

Mr. Dougherty:

Well, they said this: "We conclude, therefore, that it was not the intention of Congress to subject to regulation under the Natural Gas Act all persons whose only sales of natural gas in in interstate commerce, as in this case, are made as an incident to and immediately upon completion of such person's production and gathering of said natural gas and who are not otherwise subject to the jurisdiction of this Commission."

That same argument would give you jurisdiction over our industrial sales.

The Chairman:

The word "only" is important.

Mr. Dougherty:

Yes.

The Chairman:
In terms of the interpretation of the Act?

Mr. Dougherty:
Well, I say the same argument would give you jurisdiction over the industrials.

The Chairman:
I say, the same question as you have given in your original argument is precisely the same as the case involving the Columbian Fuel.

Mr. Dougherty:
The company is certainly subject to your jurisdiction and in that case the whole question of jurisdiction is determined on the Columbian Fuel.

The Chairman:
There is also a question of whether the pipe line company is involved directly in the control of gathering and production.

Mr. Dougherty:
We are not saying that you have no right to inquire into the cost of production and gathering as to the gas that moves in our main pipe line.

The Chairman:
What I mean is: there is a case for distinguishing the two cases quite definitely.

Mr. Dougherty:
On language, but not on principle, sir, if the Commissioner please. In other words, if it would be out from under the jurisdiction of the Act, you have to be engaged solely in distribution or solely in sale to industries, or

solely in production and gathering. I think the principle of law I don't believe is applicable under any of these situations because it is only that part of the activities that give you jurisdiction, so that we have built up an additional business in our field and we have sold those pipe line companies this quantity of gas and I have explained the whole thing about the distribution. I might say that I think on the basis of the character of operations, that the distinction that this company—because it has a pipe line that is similar, in its activity similar to somebody that is a producing company, to me is a very narrow distinction that I don't believe is justified with the corresponding facts as to either what the statute intended or what your ultimate decision was in the Columbian case.

I think, really, there is nothing more to say in reply. We have, in our brief, all these questions on dollars.

I realize the position the Commission has taken with respect to them. I do think we have a proposition on our rate of return situation here which deserves careful consideration.

The Chairman:

Thank you very much.

Unless there are further statements, I think that the hearing will be adjourned.

(Whereupon, at 12:55 o'clock p. m., the hearing was adjourned.)

HEARING EXHIBIT No. 1.

Federal Power Commission, Docket No. G-132, et al. Date Introduced 6/17.

Louisiana Public Service Commission,
Baton Rouge.

Wade O. Martin, Chairman
St. Martinville, La.
John S. Patton,
Homer, La.
Nat B. Knight, Jr.
Gretna, La.
P. A. Frye, Secretary
Baton Rouge, La.
Alex Grouchy,
Asst. Secretary
W. P. Thomas,
Supt. of Gas. Div.

In Reply Refer to Our File No. ...

I, P. A. Frye, Secretary of the Louisiana Public Service Commission, do hereby certify that the hereto attached is a true and correct copy of Order No. 2090, issued by Louisiana Public Service Commission out of Docket No. 2720, entitled "Louisiana Public Service Commission-vs-Interstate Natural Gas Company, Inc. In re: Rates, charges and practices for gas service within the State of Louisiana", the original of said Order No. 2090 being on file and of record in the office of the Louisiana Public Service Commission, at Baton Rouge, Louisiana.

In Testimony Whereof I Have Hereunto Signed My Name Officially on this the 4th day of June, 1942, and

affixed the seal of the Louisiana Public Service Commission, at Baton Rouge, Louisiana.

P. A. FRYE,
(Seal) Secretary, Louisiana Public Service Commission.

Louisiana Public Service Commission.

Order No. 2090.

Louisiana Public Service Commission
vs. No. 2720.
Interstate Natural Gas Company, Inc.

In re: Rates, charges and practices for gas service within the State of Louisiana.

This proceeding began with an order of this Commission, June 14, 1937, directing Interstate Natural Gas Company, Inc., to show cause why its rates, charges and practices as to gas service within the State of Louisiana should not be investigated, revised, modified and/or reduced. The Company on June 21, 1937, filed an exception to the jurisdiction of this Commission; testimony was taken and a brief filed on behalf of the Company, and on January 19, 1939, the case on jurisdiction was taken under advisement.

The Company in its brief denies jurisdiction of this Commission on three grounds: 1, that the Company is not a common carrier pipe line; 2, that it is not a public utility; and 3, that a preponderance of the gas sold by it is sold in and as a part of its interstate commerce.

As to the Company's being a common carrier pipe line, denial of such status is based upon Act 76 of 1920 of the

Legislature of Louisiana, amending Act 36 of 1906. The 1906 statute stated "that all pipe lines through which gases, oil or other liquids are conveyed from one point in the State to another point in the State for a consideration are hereby declared to be common carriers, and are placed under the control of and subject to regulation by the Railroad Commission of Louisiana." The 1920 amending statute omitted reference to gas and mentioned only pipe lines carrying crude petroleum. Whether or not it was the intent of the Legislature to remove gas pipe lines from the jurisdiction of the Railroad Commission (now Public Service Commission) and whether that could constitutionally be done, is a question the answer to which is not vital to the issue of jurisdiction, inasmuch as the latter does not depend exclusively upon the Company being a common carrier pipe line.

More important is the question whether this Company is legally a public utility. If it is a public utility, it is undoubtedly subject to the jurisdiction of this Commission, so far as intrastate functions are concerned, inasmuch as Article 6 of the Louisiana Constitution of 1921 gives this Commission jurisdiction over gas utilities.

The Company relies on various considerations in denying a public utility status. It refers to the following provision in its articles of incorporation under the laws of the State of Delaware (April 1, 1926):

"Provided that nothing herein shall be construed to authorize the corporation to transport natural gas for others as a carrier for hire, or to sell natural gas for others as a carrier for hire, or to sell natural gas except by special contract, or to constitute the corporation a common purchaser of natural gas or a public utility corporation." (Interstate Exhibit B-21.)

It likewise asserts that it has never sought or exercised the power of eminent domain, does not hold itself out as ready to transport or sell natural gas to the public, and that while selling gas at wholesale to distributing agencies, it in no manner exercises any control or influence over any of its customers.

These assertions are not conclusive as to the question whether this company is or is not a public utility. Its statements in its articles of incorporation, particularly when the act of incorporation occurred in another state, are not proof of the actual character of its business in Louisiana. Although the exercise of eminent domain by this company might well be conclusive that it is a public utility, its avoidance of the exercise of such power is by no means conclusive that it is not a public utility. It merely proves that it has been able to conduct business without the use of eminent domain.

It is of incidental interest to note that, regardless of the Company's assertions that it is not a public utility, it is classed as a public utility in financial circles. Since its beginning it has been included in the public utilities volume of Moody's Manual of Investments, rather than in the Volume of Industrials. An illustration of how the facts belie the alleged purpose, it may be observed that although the descriptive matter in Moody's Manual has continued to state, that the Company was incorporated "to supply under contract the fuel requirements of the oil refinery of Standard Oil Company of Louisiana located at Baton Rouge, any excess quantities of gas above such requirements to be marketed along route of pipe-line", the quantity sold to Standard Oil Company in the twelve months ending with June, 1938, was less than 13 percent of the total sales, and less than 10 percent of the total quantity of gas sold or transported.

The fundamental and vital point as to whether this company is a public utility lies in the nature of the business which it does, and particularly as to the importance of its business to the public, linked with its inherently monopolistic character.

We need not enlarge upon the obvious fact that the distribution of gas is a highly important and practically essential public service in all but the very smallest communities, and in a State like Louisiana where natural gas is available, that type of gas would ordinarily be used rather than manufactured gas.

The small and medium sized communities, as a practical matter, are entirely dependent on the pipe-lines for a supply of gas. If there is one of the latter nearby, it may be feasible for such a community to obtain gas for local distribution; if not, and if the community is not in a gas field, no one is likely to build a pipe-line to supply it alone. Hence the community has no real bargaining power; it must take the gas at the Company's price or leave it, unless the state can regulate. Lack of affiliation does not produce arm's-length bargaining in any equal sense; and alleged competition with other fuels does not provide effective regulation of so distinct and convenient a natural product as natural gas. The supplying of natural gas by a pipe-line company to local distributors is as essential a public utility service as the distribution itself.

The Interstate Company denies that it exercises any control or influence over any of its customers; but its contracts indicate the attempt to direct such operations in various ways, beyond its immediate interests in having correct measurements of the total gas delivered and of the amounts sold for different uses for which differ-

ent rates are charged, and of course, in getting payment for the gas sold. For example, the following paragraph occurs in several contracts:

"The Vendee agrees to use its best endeavors to secure all reasonably profitable consumers of natural gas; to introduce appliances adapted for the use of natural gas for heat and power; and the Vendee further agrees that it will make such representations and solicitations as are reasonable and customary to induce a greater consumption of natural gas. The Vendee further agrees that it will make such extension or other changes in its mains and distributing system as will be necessary to reasonably accommodate and supply the requirements of the public for gas, but the Vendee shall not be obligated to make such extensions as are not commercially feasible, or where the investment will not be justified by sufficient net earnings."

Another paragraph (as, for example from the contract of September 17, 1932 with Peck Gas Co.) is as follows:

"The Vendee shall use reasonable diligence to keep its system in proper repair, free from leaks and loss, and generally in good and efficient condition."

This illustrates the control exercised over the operations of vendees, even though the contract provides in a pervious paragraph:

"It is understood and agreed that no allowance shall be made for leakage, it being the intention of the parties hereto that all gas delivered by the Vendor to the Vendee shall be paid for by the Vendee to the Vendor as above stipulated."

Further paragraphs which are concerned intimately with Vendee operations are the following:

"The Vendee shall keep proper books, records and accounts according to approved methods so as to reflect accurately the total quantity of gas sold to all classes of consumers.

"The Vendor shall have the right at all reasonable times to go upon the property of the Vendee and to make such inspection and investigation of same as it desires, and this shall include the right to inspect the Vendee's books, accounts, meters and records for the purpose of informing itself as to the sales of gas and the condition of the Vendee's plant and system, including all meters and the operation of same, for the Vendor's information in the settlement of accounts between the parties hereto.

"The Vendee also agrees to use its best endeavors to keep the gas in its mains throughout its entire system at as nearly a constant and uniform pressure as possible to furnish an efficient and adequate supply of natural gas throughout the town."

The Natural Gas Act of 1938, which gives the Federal Power Commission control over gas transported and sold in Interstate commerce, recognizes the public utility character of natural gas pipe lines by stating that "the business of transporting and selling natural gas for ultimate distribution to the public is affected with a public interest, and that Federal regulation in matters relating to the transportation of natural gas and the sale thereof in interstate and foreign commerce is necessary in the public interest". (Section 1 (A)).

The Interstate Company has filed with the Federal Power Commission certain data, in considerable detail,

in response to that Commission's Order No. 51 and the questionnaire authorized by that order. According to its counsel, it did so "with the full reservation of any disposition the Courts might make as to the legality of this act" (Record, Page 25). There appears to be no question that, assuming the Natural Gas Act to be constitutional (which the Interstate Company evidently does not itself deny), this company in its interstate aspects is "affected with a public interest", and is subject to the jurisdiction of the Federal Power Commission. In fact, in the one contract with a distribution agency which has been made since the Natural Gas Act became effective—the contract with the Town of St. Francisville, made as of October 28, 1938 (Interstate Exhibit B-19)—the jurisdiction of the Federal Power Commission is recognized, in the following paragraph from the contract:

"Before this agreement can be effective it must be filed with the Federal Power Commission pursuant to the terms of the Natural Gas Act passed by Congress June 14, 1938 and effective June 21, 1938, and the rules and regulations of the Commission promulgated thereunder. Such filing will be made by Vendor, and in the event the same does not become effective within at least thirty (30) days, then this agreement shall become null and void and not binding on either party."

If the transportation and sale of natural gas in interstate commerce by this company is so affected with a public interest as to bring it under regulation of a Federal agency, the transportation and sale of the gas in intrastate commerce in Louisiana is similarly so affected with a public interest as to subject it to regulation by the Louisiana Public Service Commission.

The business of the Interstate Company includes the sale of natural gas and also the transportation of natural

gas for another company, viz, United Gas Pipe Line Company. The latter company delivers gas to the Interstate Company in northeast Louisiana, for transportation in the Interstate pipe-line which crosses the southwest corner of Mississippi and terminates near Baton Rouge. At that point the gas that has been transported for the United Company enters the latter company's pipe-line extending to New Orleans.

The gas that is sold by the Interstate Company falls into four main categories: (1) gas produced or purchased in the Monroe field in northeast Louisiana and there sold to other companies, without utilizing the main pipe-line of the Interstate Company; this is claimed to be delivered without interruption to other states; (2) gas sold in Louisiana from the main pipe-line before the latter crosses into Mississippi; (3) gas sold in Mississippi, from the main pipe-line; (4) gas sold in Louisiana from the main pipe-line after it has passed through Mississippi.

The Company's answer to the Federal Power Commission's questionnaire (Interstate Exhibit B-29) show that in the twelve months from June 26, 1937, to June 25, 1938, inclusive, the quantity of gas transported for the account of United Gas Pipe Line Company was 22,274,-127 M. cu. ft. (22,274,127,000 cubic feet). The quantity of gas delivered by the Interstate Company to its other customers in the same period (or in the case of some of its customers, in the period from June 1, 1937, to June 30, 1938, inclusive) was 44,564,493 M. cu. ft., of which quantity 7,008,775 M. cu. ft. was sold to the United Company for New Orleans, and this is evidently included in the 22,274,127 M. cu. ft. of gas transported for the United Company.

The quantity of gas that was sold directly in the Monroe field to other gas companies, (aside from the 7,008,-

775 M. cu. ft. just mentioned, which was for ultimate public consumption in Louisiana) and which was claimed to be for ultimate consumption outside of Louisiana, was 15,450,166 M. cu. ft., delivered to the following companies:

Arkansas-Louisiana Gas Co.	318,162 M. cu. ft.
Mississippi River Fuel Corp.	5,095,411 M. cu. ft.
Southern Natural Gas Co.	5,153,629 M. cu. ft.
United Gas Pipe Line Co.:	
Dixie Gulf Gas Co.	1,674,544 M. cu. ft.
Memphis Natural Gas Co.	3,208,420 M. cu. ft.
	15,450,166 M. cu. ft.

The quantity of gas that was disposed of, for local use in Louisiana, from the main pipe-line before crossing into Mississippi, was 78,224 M. cu. ft., as follows:

United Gas Pipe Line Co. (for purging field lines, Ouachita Parish)	437 M. cu. ft.
Operation of Richland Receiving Station Alto, La.	3,305 M. cu. ft.
Louisiana Power & Light Co. (For Wisner, Gilbert and Ferriday, La.)	40,955 M. cu. ft.
Peck Gas. Co.	4,062 M. cu. ft.
Sicily Island Gas Co.	10,595 M. cu. ft.
J. M. Jones Lumber Co., Ferriday	4,800 M. cu. ft.
Town of Vidalia	12,463 M. cu. ft.
Whitehall Plantation, Vidalia	1,607 M. cu. ft.
	78,224 M. cu. ft.

The quantity of gas sold in Mississippi was 223,309 M. cu. ft. and the quantity sold in Louisiana after the gas had passed through Mississippi was 21,804,019 M. cu. ft.,

in addition to which was the 22,274,127 M. cu. ft. transported to Baton Rouge for the United Company and turned over to that company's Louisiana pipe-line.

From the above it appears that 15,450,166 M. cu. ft. of gas was sold in Louisiana without passing through another state, but claimed to have been transported by the buyers beyond the state boundaries; 78,224 M. cu. ft. was disposed of for local use in Louisiana without crossing the state line (3,305 M. cu. ft. of which was for operation of the Richland Receiving Station, presumably by the Interstate Company itself, leaving 74,919 M. cu. ft. sold to others); 223,309 M. cu. ft. was sold in Mississippi, in purely interstate commerce; 21,804,019 M. cu. ft. was sold by the Interstate Company and 22,274,127 M. cu. ft. (less losses) by the United Company in Louisiana after having passed through Mississippi. Thus a part of the business of the Interstate Company is purely intrastate, another part is purely interstate, while the remainder involves the crossing of state lines, either before or after sale; and the major part of the business is in Louisiana and is of great concern to this Commission.

It should be noted further that of the 74,919 M. cu. ft. sold in Louisiana for local use, without state lines being crossed, 68,075 M. cu. ft. was designated as for ultimate public consumption (being the total of the amounts sold to Louisiana Power and Light Co., Peck Gas Co., Sicily Island Gas Co., and Vidalia.) Of the 21,804,019 M. cu. ft. sold in Louisiana after passage through Mississippi, the major portion was for industrial use, but the following was designated as for ultimate public consumption:

Town of Jackson	11,107 M. cu. ft.
Town of Zachary	2,978 M. cu. ft.
Baton Rouge Electric Company	868,429 M. cu. ft.
Suburban Public Service, Inc.	14,004 M. cu. ft.
Village of Gonzales	7,012 M. cu. ft.
Reserve Public Utilities Corporation	12,127 M. cu. ft.

Norco Gas & Fuel Company	12,883 M. cu. ft.
LaPlace Gas & Fuel Company	5,003 M. cu. ft.
	933,543 M. cu. ft.

In addition, 8,558,553 M. cu. ft. was sold to the Louisiana Steam Generating Corporation, at Baton Rouge, as fuel for the generation of steam and electric energy, much of the latter being for ultimate public consumption; and of the 22,274,127 M. cu. ft. transported to Baton Rouge for the United Company, a large part—presumably much the major part—was for ultimate public consumption.

In view of all the foregoing, we conclude that Interstate Natural Gas Company, Inc., is a public utility subject to the jurisdiction of this Commission. It is, therefore,

Ordered, that Interstate Natural Gas Company, Inc., give this Commission and its representatives access to its property, books and records, for the purpose of determining fair and reasonable rates and charges for gas transported or sold in intrastate commerce in Louisiana.

By Order of the Commission.

Baton Rouge, Louisiana, February 1st, 1939.

(Signed) WADE O. MARTIN,
Chairman,
(Signed) JAMES P. O'CONNOR,
Commissioner,
(Signed) JOHN S. PATTON,
Commissioner.

(Signed) P. A. FRYE,
(Seal) Secretary.

Attest: A true copy:
(Signed) P. A. FRYE,
Secretary.

EXHIBIT No. 3.

Interstate Natural Gas Company, Incorporated.

General Description of Organization.

Property and Business.

I.

Organization and Property.

Interstate Natural Gas Company, Incorporated (herein referred to as "Interstate") was organized under the laws of the State of Delaware on April 1, 1926 with an authorized capitalization of 1,000,000 shares of capital stock without par value.

The Company was organized pursuant to an agreement dated October 9, 1925 between Standard Oil Company (New Jersey) and Ford, Bacon & Davis, Inc. This agreement has been introduced as Exhibit 4 in this proceeding. Summarized, the agreement states that Standard Oil Company (New Jersey), which owned the entire capital stock of Standard Oil Company of Louisiana, desired to reduce the fuel costs at the latter Company's refinery at Baton Rouge, Louisiana, by the use of natural gas; that it was believed important deposits of natural gas existed in the Monroe field in Louisiana; that Ford, Bacon & Davis, Inc., should act as its agent in acquiring certain gas reserves in that field; that if Ford, Bacon & Davis, Inc., were successful in acquiring these reserves, Standard Oil Company (New Jersey) would cause to be formed a natural gas company to develop and operate said gas reserves and that Standard Oil Company of Louisiana would enter into a contract to purchase gas for the fuel supply of the Baton Rouge refinery.

The circumstances leading up to the making of this agreement were testified to upon January 22, 1940, by William von Phul, then President of Ford, Bacon & Davis, Inc., and the first President of Interstate Natural Gas Company, Incorporated. This testimony was taken in a proceeding entitled "In the Matter of Interstate Natural Gas Company, Incorporated" as FPC Docket No. G-146 (See official stenographer's report of January 22, 1940, pages 36-50). An abstract of this testimony is as follows:

In 1923 and 1924, Ford, Bacon & Davis, Inc. became interested in the Monroe gas field and made a thorough investigation of it. This was done in connection with the construction of the Sterlington Power Station for the Southern Light & Power Company located in the Monroe field. Ford, Bacon & Davis, Inc. became convinced that there were large volumes of gas in the Monroe field which should be used for other purposes than for the power station and carbon black manufacture. They sought to get Standard Oil Company (New Jersey) interested in a pipe line from the Monroe field to Baton Rouge which they proposed to construct, provided a contract could be obtained from Standard Oil Company of Louisiana for the use of gas in the refinery at Baton Rouge. The Standard Oil Company of Louisiana was and is a wholly-owned subsidiary of Standard Oil Company (New Jersey). Negotiations were carried on with officials of Standard Oil Company (New Jersey) throughout most of the year 1925, resulting in the making of the agreement of October 9, 1925.

Pursuant to the agreement Ford, Bacon & Davis, Inc. proceeded to assemble the acreage in the field for this project. It was originally expected that something over 100,000 acres would be assembled, but because Southern

Carbon Company and United Carbon Company declined to sell their acreage, the contract was modified to provide for long term contracts with those companies for the sale of gas to Interstate.

The primary market to be served was the refinery of the Standard Oil Company of Louisiana at Baton Rouge and certain industrial companies south of Baton Rouge as far as Destrehan. It was expected that the initial capacity of the line would be 80,000,000 to 90,000,000 cubic feet per day, and the refinery was expected to take 60,000,000 to 70,000,000 cubic feet per day.

The firm of Ford, Bacon & Davis, Inc. was given a management contract for a period of five years, this being renewed in 1932 for a further period of three years, and ending in 1935. Mr. von Phul made a number of the original contracts for the sale of gas, including those with Godchaux Sugars, Colonial Sugars, Standard Oil Company of Louisiana, and the Baton Rouge Electric Company for resale to domestic and industrial customers within the city limits of Baton Rouge.

Interstate was approached by small communities and by distributing companies along the main line for the purchase of gas and contracts were made with various distributing companies or communities from time to time. The sale of gas to such distributing companies or communities for resale has always been a minor part of the total gas transported through the pipe line, it being under 3% at the time Mr. von Phul gave his testimony. (End of abstract of Mr. von Phul's testimony.)

The gas acreage assembled for Interstate by Ford, Bacon & Davis, Inc. in 1926 consisted of approximately 46,800 acres of gas lands in the Monroe field. This com-

prised: 40,205.97 acres of gas rights and leases (together with 11 producing wells, gathering and other facilities including a carbon black plant) purchased from Union Power Company; 3,956.10 acres and one well purchased from The Texas Company; 1,262.50 acres from Frost Lumber Industries, Inc.; 1,667.48 acres from A. G. Stephenson Trustee; and 113.33 acres from Southern Carbon Company. At the same time Interstate directly acquired approximately 5,650 acres of gas lands from some 30 individuals.

Since the initial construction period and in addition to the routine acquisition of individual leases, Interstate has acquired 1,155 acres of gas lands and one well from Transcontinental Oil Company; 300 acres of gas rights from Mineral Lands, Inc.; 1,846.98 acres from Louisiana Gas Lands, Inc.; and, from the Win or Lose Corporation, a mineral oil and gas lease to state lands consisting of 10 drilling units in the beds of the Ouachita River and adjoining bayous. In June, 1935, approximately one year prior to termination by prescription, those gas rights acquired from Union Power Company and Frost Lumber Industries, Inc., which had not been perpetuated by drilling, were renewed for another 10-year period.

Exhibit 5 is a map of the Monroe field showing the gas acreage owned by Interstate and by certain other designated companies in that field. This is referred to as the Acreage Map Exhibit. Symbols on the map identify the companies owning the gas acreage, and the locations of the various wells.

Since 1927, when the first well was drilled by Interstate, a total of 94 producing wells have been completed without encountering a dry hole. Of this number, only 18 were drilled between 1927 and the end of 1934. The

balance were drilled as follows: 7 in 1935, 15 in 1936, 19 in 1937, 11 in 1938, 7 in 1939, 7 in 1940, and 10 in 1941. The Company now plans to drill 7 additional wells during 1942.

Also since 1927, Interstate has purchased 5 wells as follows: 1 in 1929; 2 in 1936, and 2 in 1941.

Exhibit 6 is a map of the wells (of Interstate) in the Monroe field and of the field lines constituting the gath-

* Excludes four wells lost to Abe Arent.

ering system connected with the wells and through which deliveries of gas are made to customers in the field and to the DeSiard Compressor Station at Fowler. This is referred to as the Field Line Map Exhibit. Gas wells and field lines are indicated by appropriate symbols as shown. This map also shows the beginning of the main 22" pipe line, T-1, and the beginning of the 16" pipe line, T-9, those two being a part of the transportation system of Interstate. The DeSiard Compressor Station of Interstate is located near a small community named Fowler, and this compressor station is the starting point of the transportation system.

In the latter part of 1926, Ford, Bacon & Davis, Inc. completed the construction of the 22" transmission pipe line, 170 miles in length, from Fowler, Louisiana to Baton Rouge, Louisiana. Deliveries were first made (early) in 1927. The line extends in a southeasterely direction to the Mississippi River, which it crosses near Natchez, Mississippi. It then continues in a southerly direction through Mississippi, crossing the Louisiana-Mississippi state line, to its terminus near Baton Rouge. Incorporated into this line were several completed sections

of the so-called Morris Line, purchased from H. C. Morris, Trustee, and Henry D. Walbridge, these sections comprising short multiple lines through swamps and across streams.

Initially, a single compressor station, named DeSiard, was constructed near Fowler in 1926, this station having an initial installed horsepower of 5400. As so constructed, the line had a delivery capacity of 77,000,000 cubic feet per day at Baton Rouge.

In the subsequent development of the transmission facilities, 20" or 22" loop lines have been installed paralleling the original line for the major portion of its length. These loops were completed as follows: 20 miles in 1929, 59 miles in 1930, 1.5 miles in 1931, 5.5 miles in 1933, 4.5 miles in 1935, and 24 miles in 1937. The loop lines thus parallel 114 miles of the original 22" line. In 1937 a 16" pipe line extending from Perryville, Louisiana in the Monroe Gas Field to a point of connection with the Company's main line near Alto, Louisiana was purchased by Interstate from the Mississippi River Fuel Corporation. This 16" line is 26 miles in length.

In 1928, Brock Compressor Station was installed at Ferriday, Louisiana with 5400 horsepower. The compressing capacity of Brock Station was increased to a total of 7,900 horsepower with the addition of 1,250 horsepower in each of the years 1929 and 1930. The capacity of DeSiard Station was increased to a total of 7,200 horsepower by the addition of compressing units of 1,200 horsepower in 1935 and 600 horsepower in 1939.

The result of these several additions to the original line has been to increase the daily delivery capacity of the main line at the Baton Rouge terminus to approximately 170,000,000 cubic feet per 24 hours.

Exhibit 7 is a map showing the main transmission line of Interstate from DeSiard Compressor Station to Baton Rouge and the pipe line of United Gas Pipe Line Company from Baton Rouge to New Orleans. This is referred to as the Main Line Map Exhibit. There are also shown various pipe lines which are utilized in making deliveries to customers of Interstate both from its main line and from the pipe line of United Gas Pipe Line Company between Baton Rouge and Destrehan, Louisiana. There are also shown certain gathering pipe lines used to deliver into the line of the United Gas Pipe Line Company and to the Gulf States Utilities at Baton Rouge the gas purchased by Interstate in the University, LaPlace, and LaPice fields between Baton Rouge and Destrahan. The main pipe line of Interstate ends on the north side of Baton Rouge and does not run up to or pass by Baton Rouge. The main transmission lines consist of the line marked as "T-1" and also the loop line "T-9". River, swamp, and bayou crossings are made up of multiple lines, a number of smaller lines being used because of the difficulty of constructing lines under water and as a protection against floods; these crossings are shown as quadruple lines on the map at several points. The Mississippi River crossing is shown just a little southwest of Natchez, there being eight 10" lines at that point. Points of deliveries to the various customers of Interstate are shown by numbers, the identifying legend which explains these numbers being on the map.

Interstate makes delivery of gas to United Gas Pipe Line Company at a point of connection north of Baton Rouge. United Gas Pipe Line Company transports the major portion of this gas for delivery to local distributing companies at the City of New Orleans and evirons. It delivers a small portion to Interstate at points along the United Gas pipe line, at which points Interstate delivers the gas to its own customers.

II.

General Description of Business.

A. Production and Purchase of Natural Gas

(1.) Since 1927, the Interstate Company has been engaged in producing natural gas in the Monroe Gas Field, Union, Morehouse, and Ouachita Parishes, Louisiana, said field and the Company's present wells being shown upon the Acreage Map Exhibit and the Field Map Exhibit. In the year 1941, the Company produced 28,819,814 Mcf of gas and in the 15-year period, 1927-1941, the Company has produced a total of 170,415,505 Mcf in this field.

(2.) (a) Since 1927, the Interstate Company has been engaged in purchasing natural gas at points upon its gathering system in the Monroe Gas Field, Union, Morehouse, and Ouachita Parishes, Louisiana. The producers from whom such purchases are made change from time to time and likewise the volumes purchased fluctuate with the demands placed upon the field and other factors. The total volume of gas purchased in 1941 was 22,655,322 Mcf, and the total volume of gas purchased in the 15-year period, 1927-1941, was 352,516,082 Mcf. The producers from whom the Company is now purchasing gas and the points of delivery are listed in the following table:

Producer	Point of Delivery
Hope Producing Company	Seller's Well.
	Seller's Meter Station.
J. B. Bond, et al	Seller's Well.
Louisiana Gas Lands, Inc.	Seller's Well.
Southern Carbon Company	Perryville, La.
	Fairbanks, La.
	Guthrie, La.
Fred Stovall	Seller's Well.
United Carbon Company	Cargas, La.
	F-13.
	Seller's Well.

The points of delivery from such producers are shown upon the Field Map Exhibit.

(2.) (b) Since November, 1939, the Company has been engaged in purchasing gas in the University Field, East Baton Rouge Parish, Louisiana, said field being shown upon the Main Line Map. The volume of gas purchased in this field in 1941 was 4,811,901 Mcf, and the total volumes purchased in the years 1939-1941 were 7,694,851 Mcf.

At the present time the Company is purchasing gas in such field from the following producers:

Producer	Point of Delivery
Wm. Helis, et al.	Buyer's Meter Station in Field.
Lisbon Iberia Oil Corporation	Buyer's Meter Station in Field.
Addision Outwater and Sugar Field Oil Company, Inc.	Buyer's Meter Station in Field.
Sugar Field Oil Co., Inc.	Buyer's Meter Station in Field.

The gas so purchased is gathered by the Company in pipe lines in the University Field.

(2.) (c) Since 1939, the Company has been engaged in purchasing gas under a private contract from the Shell Oil Company, Inc. at a point in the LaPice Field, St. James Parish, Louisiana, which field is shown upon the Main Line Map Exhibit. The volume of gas so purchased in 1941 was 2,099,165 Mcf, and the total volume purchased in the period 1934-1941 has been 4,131,729 Mcf. The Company gathers the gas so purchased in a pipe line operated by it in the LaPice Field.

(2.) (d) Since 1940, the Company has been engaged in purchasing gas under private contracts in the LaPlace Field, St. John The Baptist Parish, Louisiana, which Field is shown upon the Main Line Map Exhibit. At the present time this gas is purchased from the Pan-American Production Company and Shell Oil Company, Inc. In 1940, 1,028,762 Mcf and in 1941 1,342,792 Mcf were purchased in this Field. The gas so purchased is gathered by the Company in pipe lines operated by it in the LaPlace Field.

B. Gathering of Natural Gas in the Monroe Gas Field

To gather gas produced and purchased, the Company has, since 1927, been engaged in operating a natural gas gathering system extending to wells and points of purchase in the Monroe Gas Field, Union, Morehouse, and Ouachita Parishes, Louisiana, said gathering system being constantly extended and changed as required by the Company's drilling and purchase operations. This gathering system is shown upon the Field Map Exhibit.

C. Sales in the Monroe Gas Field

Since 1928, the Company has been engaged in gathering and selling gas at wholesale under private contracts to selected companies at points upon its gathering system within the Monroe Gas Field, Union, Morehouse, and Ouachita Parishes, Louisiana. The volumes so sold fluctuate continuously from year to year. The total volumes of gas sold to the pipe line companies in 1941 were 26,738,512 Mcf, and the total volumes so sold in the 14-year period, 1928-1941, were 197,561,895 Mcf.

The companies to whom gas is sold in the Field vary from time to time. The major portion of these field

sales, of course, have been made to pipe line companies, but in the past sales have been made to an industrial customer in the field (i. e.: Sterlington Power Plant), and it is expected that sales of some magnitude may be made at a point in the field to a new industrial plant now under construction. At the present time, such sales are being made to the following companies:

(A) To the United Gas Pipe Line Company under a Contract dated November 26, 1934, on file with this Commission as Interstate's Rate Schedule FPC No. 15 at a delivery point near Fowler, Louisiana.

(B) To the United Gas Pipe Line Company under a Contract dated January 7, 1930, on file with this Commission as Interstate's Rate Schedule FPC No. 6 at a delivery point near Guthrie, Louisiana.

(C) To Mississippi River Fuel Corporation under a Contract dated August 1, 1929, on file with the Commission as Interstate's Rate Schedule FPC No. 4 at a delivery point near Perryville, Louisiana.

(D) To the Southern Natural Gas Company under a Contract dated April 1, 1941 on file with this Commission as Interstate's Rate Scheduled FPC No. 24 at a delivery point near Perryville, Louisiana.

The points at which gas is sold to the above companies are shown upon the Field Map Exhibit.

D. The Natural Gas Pipe Line System

The Company owns and operates a natural gas pipe line system for the purpose of transporting gas from points in the Monroe Gas Field to Baton Rouge, Louisi-

ana, a distance of 170.6 miles by pipe line, and to intermediate points along the route of these pipe lines. The Company also operates certain short transmission lines from points on the pipe line system of the United Gas Pipe Line Company to points of delivery to certain of Interstate's customers situated between Baton Rouge and Destrehan.

The routes traversed by this pipe line system are as follows:

1. Beginning at a point of connection with Interstate's gathering system in the Monroe Field near Fowler, Ouachita Parish, Louisiana; thence in a southeasterly direction through Ouachita, Richland, Franklin, Catahoula, and Concordia Parishes, Louisiana to a point on the Louisiana-Mississippi State Line near Vidalia, Louisiana; thence through Adams County, Mississippi, to a point on the Homochitto River; thence in a southerly direction through Wilkinson County, Mississippi, to a point on the Mississippi-Louisiana State Line; thence in a southerly direction through West Feliciana, East Feliciana, and East Baton Rouge Parishes, Louisiana, to a point near Baton Rouge, Louisiana.

2. Beginning at a point of connection with Interstate's gathering system in the Monroe Field near Perryville, Ouachita Parish, Louisiana; thence in a southeasterly direction through Ouachita Parish to a point in Richland Parish near the Town of Alto, where said pipe line route joins pipe line Route 1 above.

3. Beginning at a point of connection with Route 1 above in East Baton Rouge Parish, Louisiana, near Scotland; thence in an easterly direction to a point of connection with the pipe line system of the United Gas Pipe

Line Company near that company's Scotland Compressor Station, East Baton Rouge Parish, Louisiana.

4. Beginning at a point of connection with Route 1 above near Baton Rouge, East Baton Rouge Parish, Louisiana; thence to a point of connection with the plant of the Standard Oil Company of Louisiana, near Baton Rouge, Louisiana.

5. Beginning at a point of connection with the system of the United Gas Pipe Line Company near Sorrento, Ascension Parish, Louisiana; thence in a northeasterly direction to a point of connection with the mill of the DeHass-Eby Lumber Company, Inc. near Sorrento, Ascension Parish, Louisiana.

6. Beginning at a point of connection with the lines of United Gas Pipe Line Company near Gramercy, St. James Parish, Louisiana; thence in a southeasterly direction to points of connection with the plant of the Colonial Sugars Company and with the Norco Gas & Fuel Company, Inc. near Gramercy, St. James Parish, Louisiana.

7. Beginning at a point of connection with the lines of the United Gas Pipe Line Company in St. John The Baptist Parish, Louisiana; thence in a southerly direction to points of connection with the lines of the Reserve Public Utilities, Inc. and Godchaux Sugars, Inc. near the Town of Reserve, St. John The Baptist Parish, Louisiana.

Each such pipe line route is shown upon the Main Pipe Line Map Exhibit.

This pipe line system was installed and is maintained over the above routes exclusively under private rights of way and without the exercise of condemnation or eminent domain.

E. Sales for Resale from the Main Line System

(1.) The Company is engaged in selling gas at wholesale under private contracts to the following communities for resale and distribution:

(1) Town of Vidalia, Louisiana, under a contract dated July 21, 1938.

(2) Town of Woodville, Mississippi under a contract dated March 6, 1929 and on file with this Commission as Interstate's Rate Schedule FPC No. 1.

(3) Town of Centreville, Mississippi under a contract dated January 17, 1939 and on file with this Commission as Interstate's Rate Schedule FPC No. 22.

(4) Town of Jackson, Louisiana under a contract dated November 7, 1932 and on file with this Commission as Interstate's Rate Schedule FPC No. 13.

(5) Town of St. Francisville, Louisiana under a contract dated October 18, 1938 and on file with this Commission as Interstate's Rate Schedule FPC No. 21.

(6) Town of Zachary, Louisiana under a contract dated September 1, 1936 and on file with this Commission as Interstate's Rate Schedule FPC No. 18.

(7) Village of Gonzales, Louisiana under a contract dated August 10, 1931 and on file with this Commission as Interstate's Rate Schedule FPC No. 8.

The points of delivery to each of the above communities are shown upon the Pipe Line Map Exhibit.

(2.) The Company is engaged in selling gas at wholesale under private contracts to the following selected companies for resale in the territory served by those companies:

(1) To the Louisiana Power and Light Company under contracts dated June 15, 1928 and September 12, 1928 for resale in Gilbert, Wisner and Ferriday, Louisiana.

(2) To the Peck Gas Company under a contract dated September 17, 1932 for resale in the Town of Peck, Louisiana.

(3) To the Sicily Island Gas Company, Incorporated, under a contract dated June 2, 1930 for resale in the Town of Sicily Island, Louisiana.

(4) To the Mississippi Power and Light Company under a contract dated August 2, 1937 on file with your Commission as Interstate's Rate Schedule FPC No. 20 for resale in Natchez, Mississippi.

(5) To the Buffalo Gas Company under a contract dated October 19, 1932 and on file with your Commission as Interstate's Rate Schedule FPC No. 12 for resale in the Community of Buffalo Creek, near Wilkinson, Mississippi.

(6) To the Gulf States Utilities Company under a contract dated June 1, 1937 and on file with your Commission as Interstate's Rate Schedule FPC No. 19 for resale in Scotland and Baton Rouge; under a contract dated December 21, 1931 and on file with your Commission as Interstate's Rate Schedule FPC No. 10 for resale on Inniswold Plantation, Louisiana.

(7) To Suburban Utilities, Incorporated under a contract dated December 14, 1931 and on file with your

Commission as Interstate's Rate Schedule FPC No. 9 for resale in Goodwood Section, Louisiana.

(8) To Reserve Public Utilities Corporation under a contract dated July 15, 1930 and on file with your Commission as Interstate's Rate Schedule FPC No. 7 for resale in the Town of Reserve, Louisiana.

(9) To The LaPlace Gas and Fuel Company, Inc. under a contract dated November 25, 1929 and on file with your Commission as Interstate's Rate Schedule FPC No. 5 for resale in the Town of LaPlace, Louisiana.

(10) To the Norco Gas and Fuel Company, Incorporated under a contract dated January 16, 1932 and on file with your Commission as Interstate's Rate Schedule FPC No. 11 for resale and distribution to the Towns of Norco, Goodhope, and New Sarpy, Louisiana; under a contract dated October 28, 1935 and on file with your Commission as Interstate's Rate Schedule FPC No. 17 for resale and distribution in the Town of Destrehan, Louisiana; under a contract dated September 28, 1940 and on file with your Commission as Interstate's Rate Schedule FPC No. 23 for resale and distribution in the Towns of Lutcher, Paulina, and Gramercy, Louisiana.

The points of delivery to the above companies are shown upon the Pipe Line Map Exhibit.

F. Sales to Industrial Customers

Since 1927, the Company has been engaged in selling natural gas under private contracts to certain Main Line industrial customers. The total volume so sold in 1941 was 31,743,121 Mcf. and the total volumes so sold in the 15-year period, 1927-1941, were approximately 272,-

600,000 Mcf. The number of these industrial customers changes from time to time and the volumes so sold fluctuates continuously.

At the present time, the Company is selling gas to the following industrial customers:

Name—Point of Delivery

East Louisiana State Hospital—Tap on Main line near Jackson, Louisiana.

Standard Oil Company of Louisiana—Buyer's plant, Baton Rouge, Louisiana.

Ethyl Gasoline Corporation—Buyer's plant, Baton Rouge, Louisiana.

The Solvay Process Company—Buyer's plant, Baton Rouge, Louisiana.

Gulf States Utilities Company—West Shada Ave. and L. R. & N. Co., Baton Rouge, Louisiana.

Colonial Sugars Company—Buyer's plant, Gramercy, Louisiana.

Godchaux Sugars, Inc.—Buyer's plant, Reserve, Louisiana.

General American Transportation Corporation—Buyer's plant, Goodhope, Louisiana.

DeHass Eby Lumber Company, Inc.—Buyer's plant, Sorrento, Louisiana.

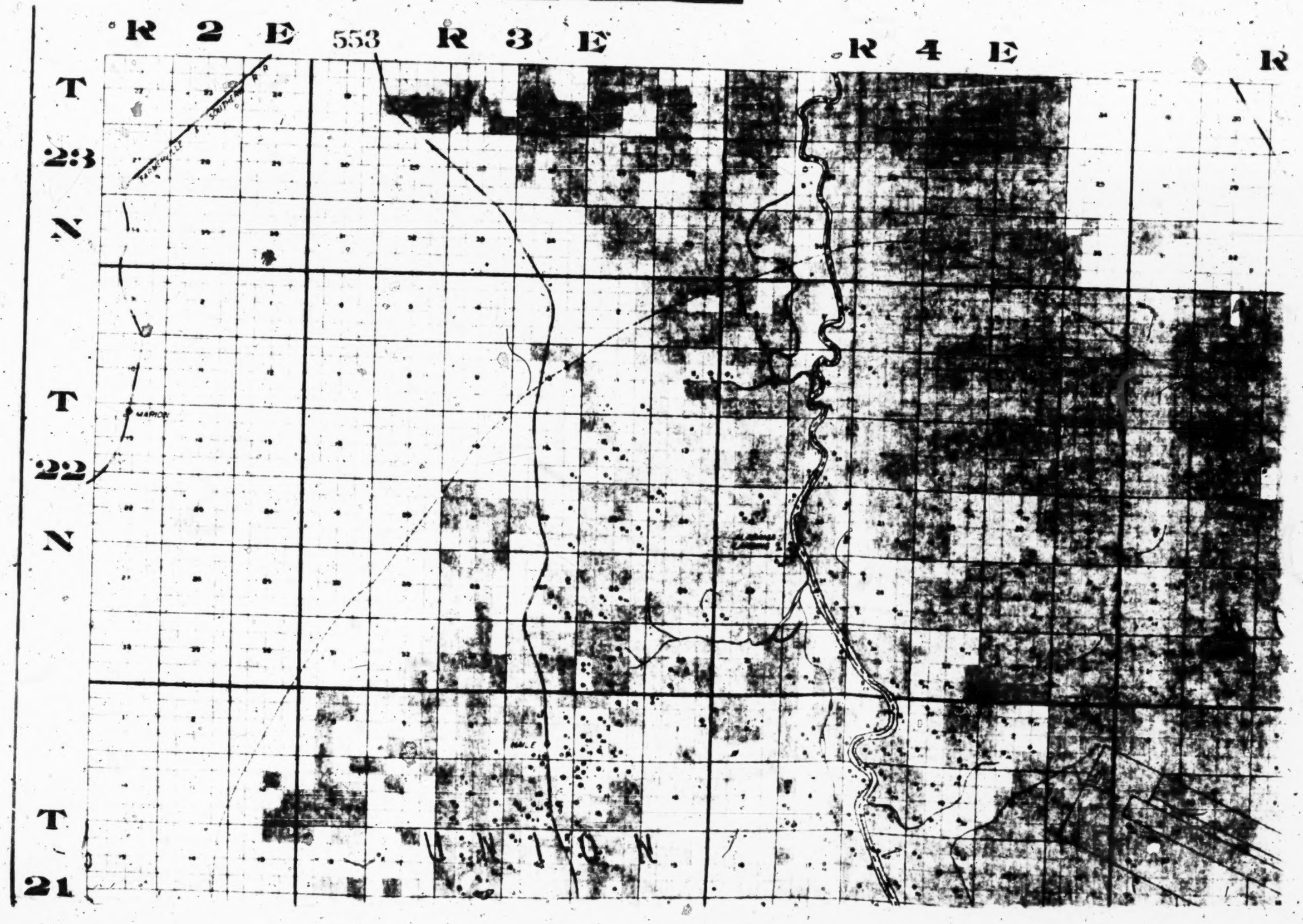
The points of delivery to the above customers are shown upon the Main Line Map Exhibit.

G. Transportation of Gas

Since 1929, the Company has been engaged in transporting gas for the Southern Gas and Fuel Company (now United Gas Pipe Line Company) under private contracts. The existing contract is dated November 26, 1934,

and, as amended and supplemented, is on file with the Federal Power Commission as Interstate's Rate Schedule FPC No. 16. The gas transported under this contract is received for transportation from the United Gas Public Service Company (now United Gas Pipe Line Company) at DeSiard Compressor Station at Fowler. The gas so received is transported by Interstate through transmission pipe line T-1 to Baton Rouge and is there delivered to Southern Gas and Fuel Company (now United Gas Pipe Line Company) at the point of connection near Scotland, East Baton Rouge Parish, Louisiana, from which point the gas is transported to the New Orleans area and there sold to the local distribution companies. By amendment to this contract, dated December 5, 1939, a portion of the gas which would otherwise be transported by Interstate under the contract from Fowler to Baton Rouge is displaced by gas supplied under the so-called Additional Gas Supply Agreement of December 5, 1939, as supplemented; under this Additional Gas Supply Agreement, a portion of the requirements of the New Orleans market is supplied from the Lirette and other south Louisiana fields.

Under another contract, gas is transported for United Gas Pipe Line Company through Interstate's pipe line T-1 as far as Alto, Richland Parish, Louisiana, and is there delivered to the United Gas Pipe Line Company.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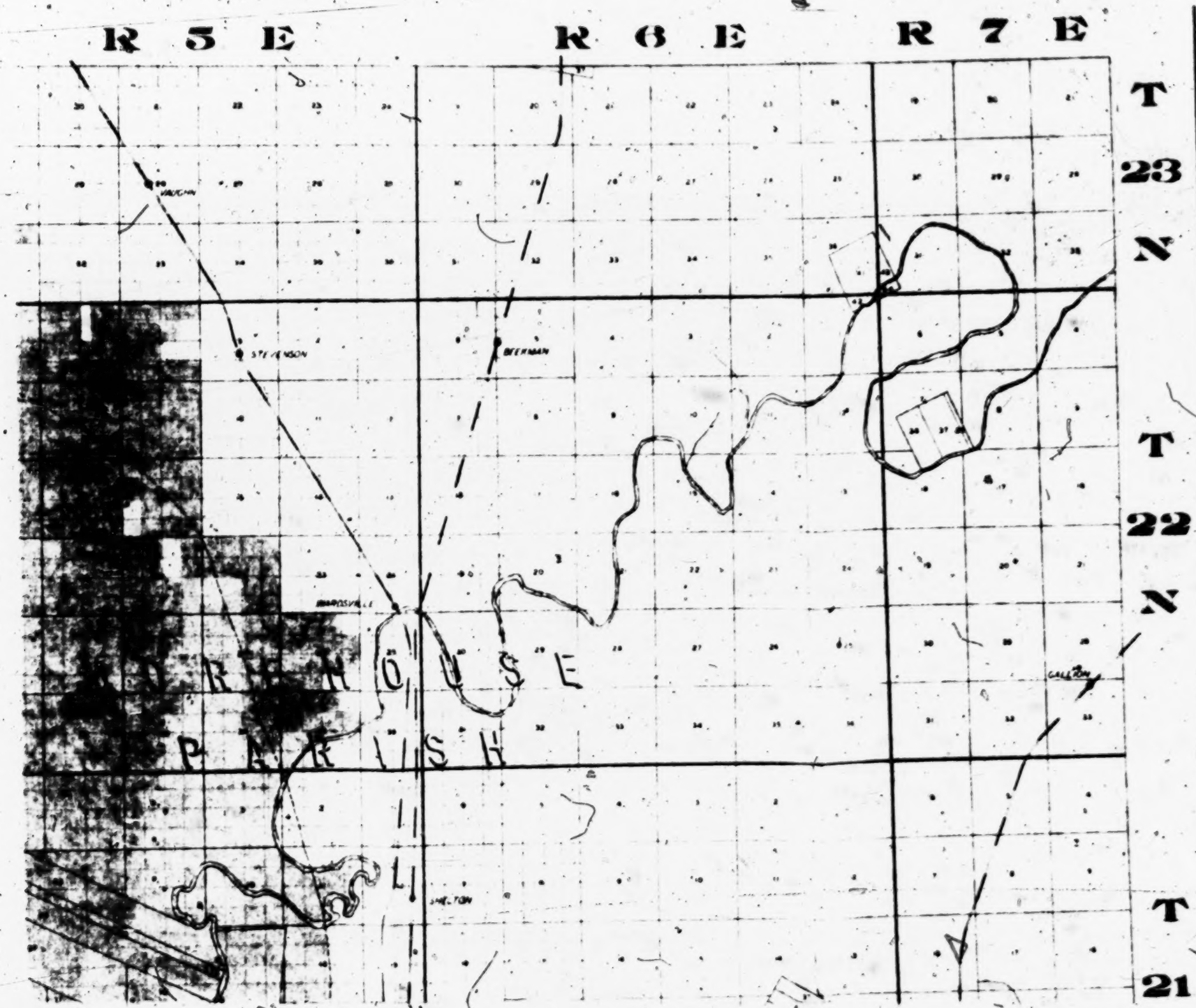
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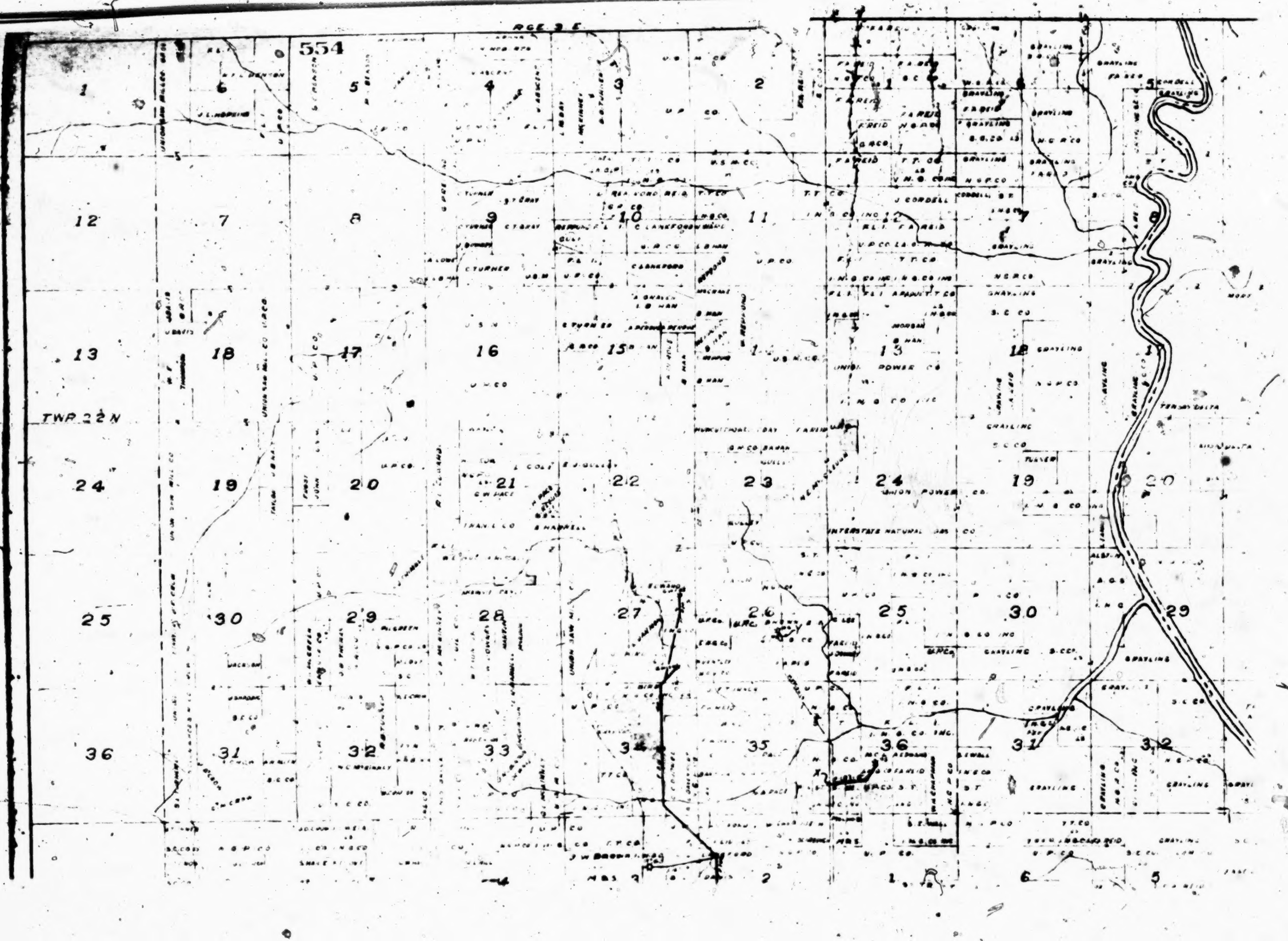
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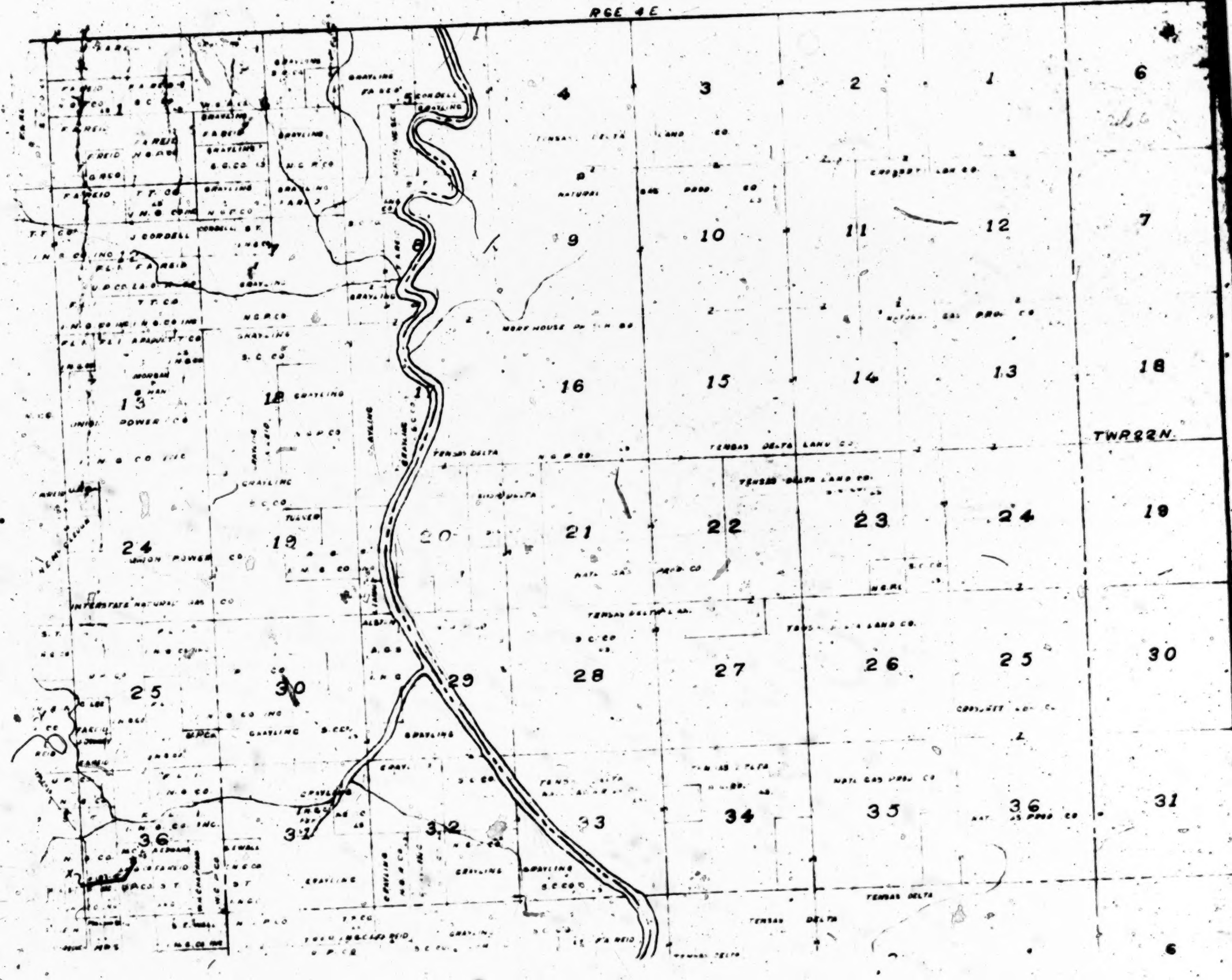
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EXHIBIT No 8.

Interstate Natural Gas Company, Incorporated,
and
Mississippi River Fuel Corporation.

Federal Power Commission Rate Schedule Designations.

Date of Agreement	Description	FPC Rate Schedule Designation	Effective Date	Filing Date	Remarks
8/ 1/29	Gas Sale Agreement	FPC No. 4	11/21/29	8/24/38	
8/ 1/29	Tax Reimbursement Agreement	Sup. No. 1 to FPC No. 4	11/21/29	8/24/38	
12/16/30	Agreement amending 8/1/29 agreement re Grosset Lumber Co.	Sup. No. 2 to FPC No. 4	12/16/30	8/24/38	
11/ 7/34	Agreement modifying 8/1/29 agreement re price of gas year beginning 11/21/34	Sup. No. 3 to FPC No. 4	11/21/34	8/24/38	
11/19/35	Agreement modifying 8/1/29 agreement re price of gas year beginning 11/21/35	Sup. No. 4 to FPC No. 4	11/21/35	8/24/38	
11/18/36	Agreement modifying 8/1/29 agreement re price of gas year beginning 11/21/36	Sup. No. 5 to FPC No. 4	11/21/36	8/24/38	
1/20/37	Agreement amending 8/1/29 agreement, extending term to 2/2/25, or later, modifying price, etc.	Sup. No. 6 to FPC No. 4	1/ 1/44	8/24/38	
10/19/39	Letter, Interstate to Federal Power Commission pursuant to Order No. 57, re periodic price change 11/21/39	Sup. No. 7 to FPC No. 4	.....	10/20/39	
3/ 5/42	Letter re War Production Board Limitation Order L-31	Exhibit A to Rate Schedule FPC No. 4	.....	.....	

Interstate Natural Gas Company, Incorporated,
and
Southern Natural Gas Company.

Federal Power Commission Rate Schedule Designations.

Date of Agreement	Description	FPC Rate Schedule Designation	Effective Date	Filing Date	Remarks
4/ 1/41	Gas Purchase Contract	FPC No. 24 (Schedule Rate Schedule FPC No. 14 and Supplements thereto)	7/1/41	.....	
4/18/41	Letter extending time for filing 4/1/41 agmt. with FPC.	.....	.....	.....	Expired
10/23/41	Letter to FPC re sale of Additional Monroe Gas for period 4-1-41/10-1-41	Exhibit A to Rate Schedule FPC No. 24	.....	.....	Expired
3/ 5/42	Letter re War Production Board Limitation Order L-31	Exhibit B to Rate Sched-			

Interstate Natural Gas Company, Incorporated,
and
United Gas Pipe Line Company.

Federal Power Commission Rate Schedule Designations.

Date of Agreement	Description	FPC Rate Schedule Designation	Effective Date	Filing Date	Remarks
11/26/34	Gas Purchase Contract	FPC No. 15	11/26/34	8/24/38	
9/25/37	Assignment 11/26/34 agmt. United Gas Public Service Co. to United Gas Pipe Line Co.	Sup. No. 1 to FPC No. 15	9/25/37	8/24/38	
9/ 5/39	Amendment to 11/26/34 Gas Purch. Contract	Sup. No. 2 to FPC No. 15	11/ 7/39	11/24/39	
9/ 5/39	Additional Gas Supply Agmt. (inc. Co. Exhibits "A" and "B", Gas Purch. and Gas Pipe Line Lease Agmts.)	Exh. C to Sup. No. 2 to FPC No. 15	11/ 7/39	11/24/39	
10/25/39	Lirette-New Orleans Agmt. re construction and operation by Int. & United of pipe line from Long, Bay Baptiste, DeLarge and Lirette Fields, La., Supplements 9-5/39 Addl. Gas Supply Agreement	Sup. No. 2 to Exhibit C to Sup. No. 2 to FPC No. 15			
3/29/40	Letter Agmt. re approval of gas sales for drilling at 15¢ per M under 9-5-39 Addl. Gas Supply Agmt.	Sup. No. 2 to Exhibit C to Sup. No. 2 to FPC No. 15			
5/15/40	Interstate's approval of United's contract with Godchaux Sugars under Lirette-New Orleans Agmt. of 1025-39	Sup. No. 3 to Exhibit C to Sup. No. 2 to FPC No. 15			
8/26/40	Amending, as of 12-28-39, 11-26-34 Gas Purchase & Transportation Agreements	Sup. No. 3 to FPC No. 15			
2/ 4/41	Letter agmt. re reimbursements by United Gas Pipe Line Co. of gathering taxes paid by Interstate under Act 153 of La. Legislature for Regular Session, 1940—expires 7/31/42	Sup. No. 4 to FPC No. 15	4/27/41	3/28/41	
3/ 5/42	Letter re War Production Board Limitation Order L-31	Exhibit A to Rate Schedule FPC No. 15			

Interstate Natural Gas Company, Incorporated,
and
United Gas Pipe Line Company
(a/c Memphis Natural Gas Company).

Federal Power Commission Rate Schedule Designations.

Date of Agreement	Description	FPC Rate Schedule Designation	Effective Date	Filing Date	Remarks
1/ 7/30	Gas Sale Agreement	FPC No. 6	1/15/30	8/24/38	
1/10/35	Letter Agmt. authorizing modification re price	Sup. No. 1 to FPC No. 6	1/10/35	8/24/38	Expired
1/10/35	Exh. Agmt. between United Gas Pub. Serv. Co. and Memphis Natural Gas Co.	Exh. A to Sup. No. 1 to FPC No. 6			Expired
11/21/35	Letter Agmt. authorizing modification re price of gas for Buckeye Cotton Oil Co.	Sup. No. 2 to FPC No. 6	12/ 1/35	8/24/38	Expired
11/27/35	Exh. Agmt. between United Gas Pub. Service Co. and Memphis Natural Gas Co.	Exh. A to Sup. No. 2 to FPC No. 6			Expired
2/19/37	Letter Agmt. authorizing modification re price of gas for Firestone Tire & Rubber Co.	Sup. No. 3 to FPC No. 6	11/24/36	8/24/38	Expired
5/20/37	Letter Agmt. extending term of 1/10/35 agmt.	Sup. No. 1 Sup. No. 1 to FPC No. 6	8/25/37	8/24/38	Expired
5/20/37	Letter Agmt. re delivery pressure	Sup. No. 4 to FPC No. 6	8/25/37	8/24/38	
9/25/37	Assignment 1/7/30 contract from United Gas Pub. Serv. Co. to United Pipe Line Co.	Sup. No. 5 to FPC No. 6	9/25/37	8/24/38	
11/ 2/38	Letter Agmt. authorizing modification of Memphis contract re price of gas for Buckeye Cotton Oil Co.	Sup. No. 6 to FPC No. 6	12/ 1/38	12/16/38	Expired
10/28/38	Exhibit Agmt. between United Gas Pipe Line Co. and Memphis Nat. Gas Co. re price of gas for Buckeye Cotton Oil Co.	Exh. A to Sup. No. 6 to FPC No. 6			Expired

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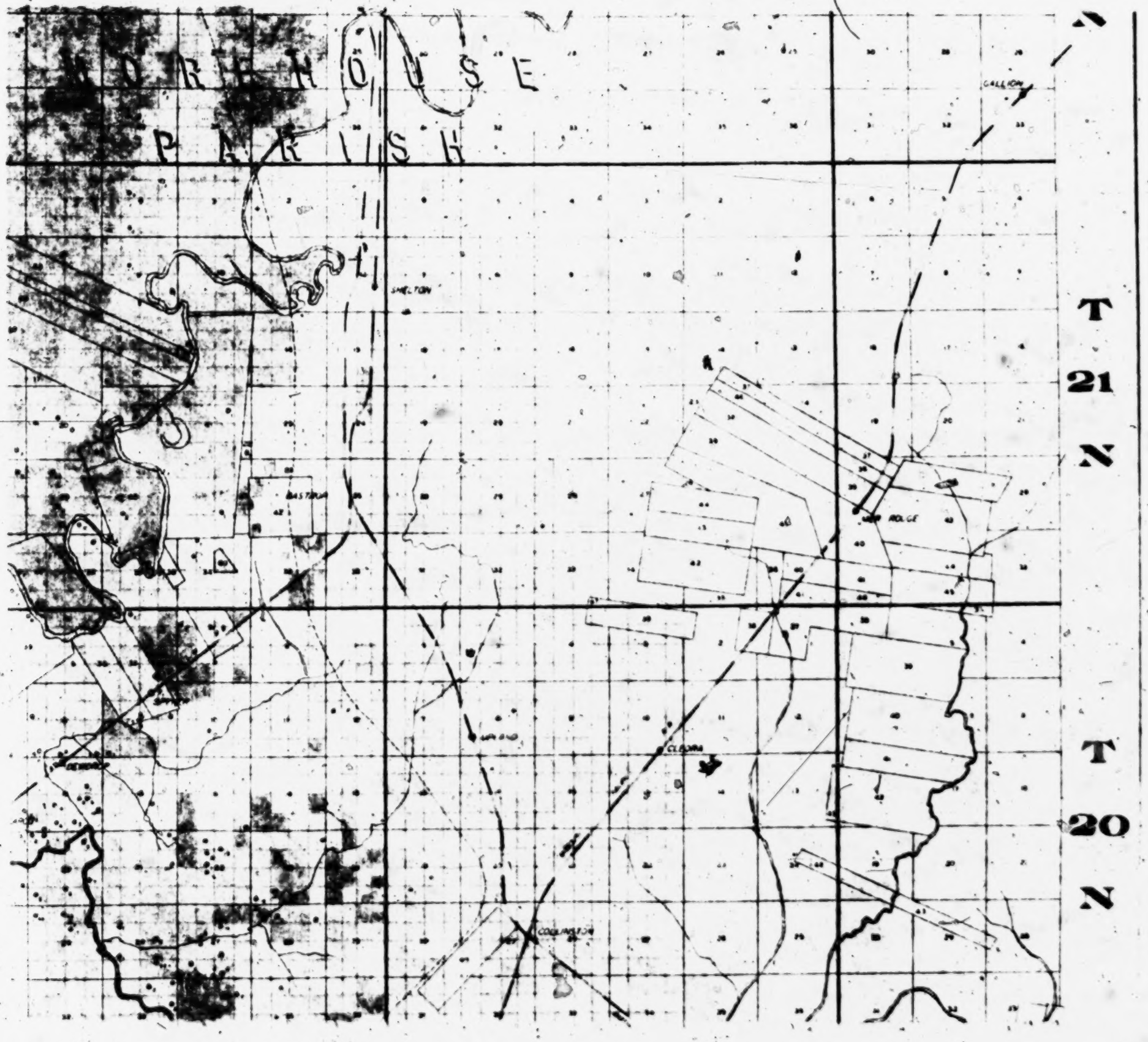
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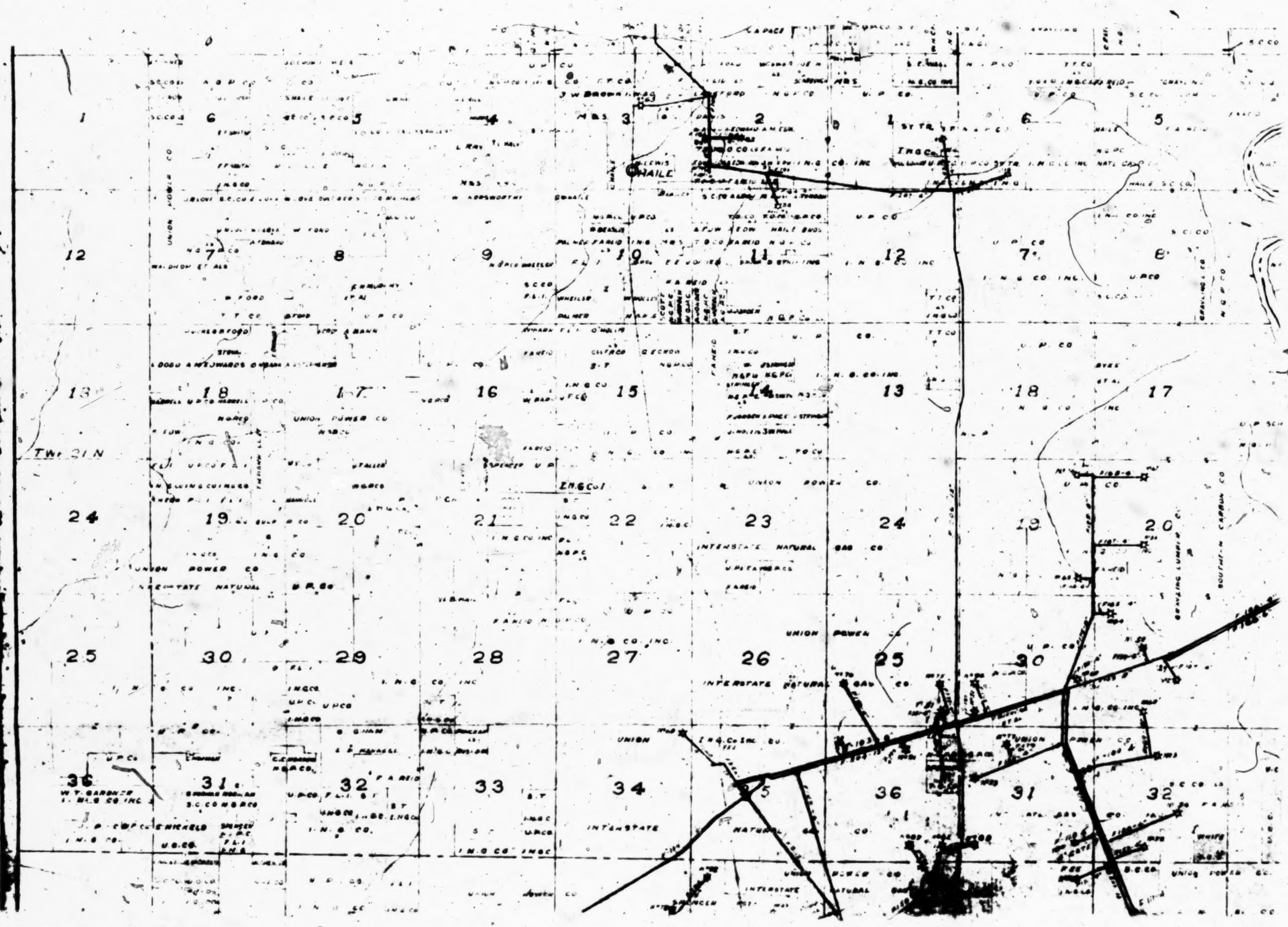
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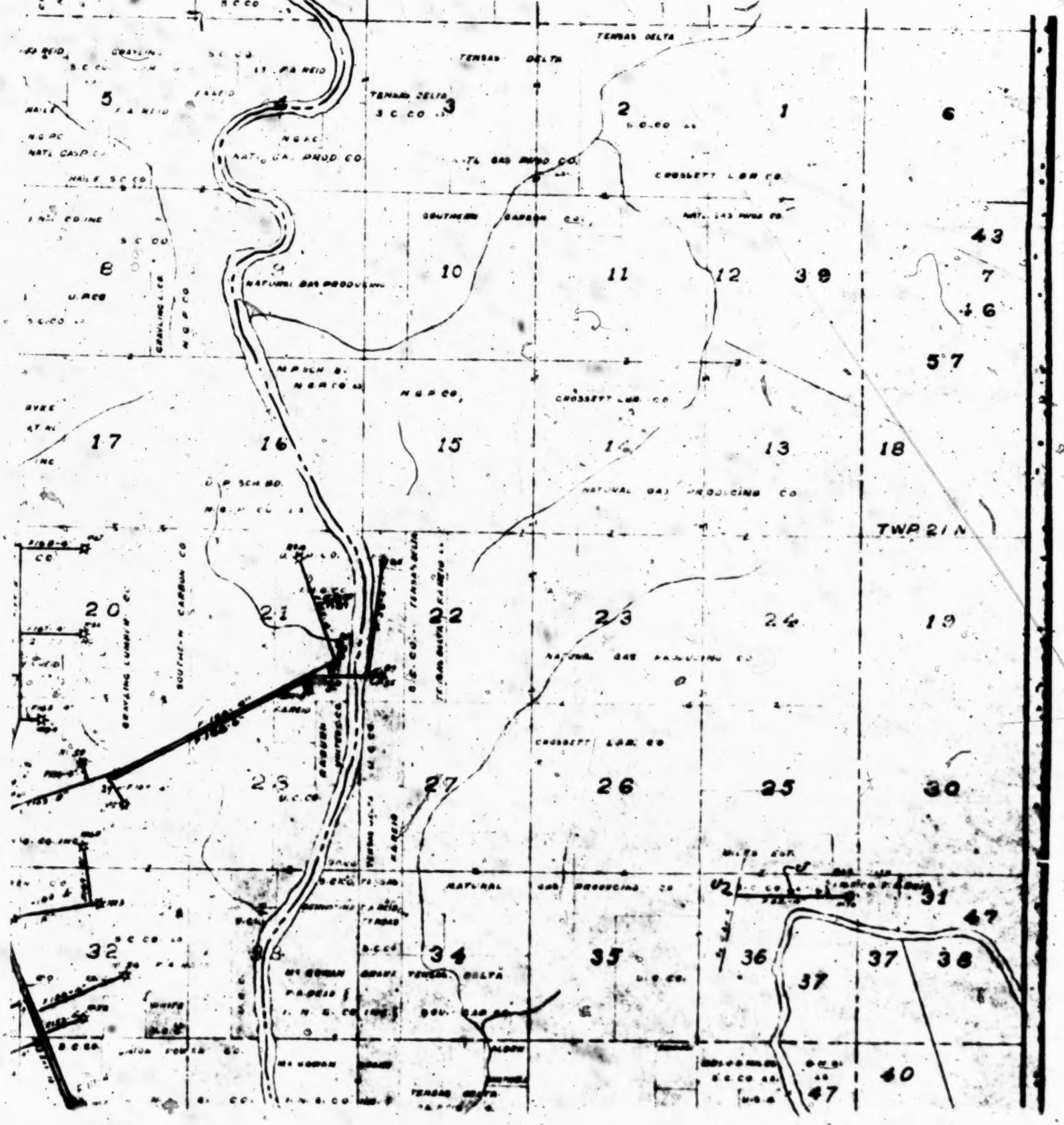
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		FPC No. 6			
10/30/39	Letter to Federal Power Commission pursuant to Order No. 57	Sup. No. 1 to Sup. No. 6 to FPC No. 6	12/ 1/39	10/31/39	Superseded
9/28/39	Letter United Gas Pipe Line Co. to Federal Power Commission pursuant to Order No. 57				
12/13/39	Letter between UGPL, Memphis N. G. Co. and Int.	Sup. No. 7 to FPC No. 6	1/ 2/40	2/27/40	
12/26/39	Letter Agt. between Interstate and Memphis re two additional dely. points				
11/ 8/40	Letter to FPC re continuation of 8¢ price of gas for period 1/10/41/42	Exhibit A to FPC No. 6		.....	
10/30/40	Letter to FPC pursuant to Sec. 54.3C.....	Sup. No. 2 to Sup. No. 6 to FPC No. 6 ..... (Supersedes Sup. No. 1 to Sup. No. 6 to FPC No. 6) ..... (Concurrence in United Gas Pipe Line Company Sup. No. 2 to Sup. No. 4 to FPC No. 5)	.....	.....	Expired
9/19/40	Letter United Gas Pipe Line Co. to FPC pursuant to Sec. 54.3C (Buckeye)				
11/ 7/41	Letter to FPC re continuation of 8¢ price of gas for period 1/10/42/43	Exhibit B to Rate Schedule FPC No. 6.....	.....	.....	
3/ 5/42	Letter re War Production Board Limitation Order L-31	Exhibit C to Rate Schedule FPC No. 6.....	.....	.....	

EX. 39.

Interstate Natural Gas Company, Incorporated.

Analysis of Field Sales Contracts, Years 1937 to 1941, Inclusive.

Sold To	1937 M. Cu. Ft.	1937 Billing Price	1937 Revenue	1938 M. Cu. Ft.	1938 Billing Price	1938 Revenue	1939 M. Cu. Ft.	1939 Billing Price
ansas-Louisiana Gas Co.—								
All Gas	334,009	.065	$ 21,710.60	325,656	.065	$ 21,167.65	313,491	To 12/1 .065
thern Natural Gas Company—								
For Resale to Dom. and Unaccounted for..	1,046,227	.081	$ 84,744.35	1,044,187	.081	$ 84,579.16	1,218,889	.081
For Resale to Special Ind. and all other gas	4,575,822	.04	183,032.88	4,250,669	.04	170,026.76	5,467,585	.05
All Gas	.....	..	.....	.....	..	.....	.....	..
Adjustments (Sev. Tax)	.....	..	1,437.60	.....	..	1,436.28	.....	..
Total	5,622,049	.0479	$269,214.83	5,294,856	.0484	$256,042.20	6,686,474	.0559
sissippi River Fuel Corp.—								
All Gas	5,518,252	To 11/21 .06	$331,095.12					
	623,176	11/21 .076	47,361.38	4,812,989	.076	$365,787.16	5,272,265	To 11/21 .076
For Resale to Dom. & Com.	.....	..	.....	.....	..	.....	147,535	11/21 .076
For Resale to Ind., Co. Use and Unacct. for	.....	..	.....	.....	..	.....	700,725	11/21 .08
Adjustments (Sev. Tax)	.....	..	3,292.79	.....	..	2,726.19	.....	..
Total	6,141,428	.0622	$381,749.29	4,812,989	.0766	$368,513.35	6,120,525	.0771
ted Gas Pipe Line Co.—								
Dixie Gulf Gas Co.	1,732,955	.05	$ 86,647.75	1,680,398	.05	$ 84,019.90	1,490,316	To 11/1 .05
Memphis Natural Gas Co.								
Buckeye-Firestone Inds.	227,934	.05	$ 11,396.70	304,096	.05	$ 15,204.80	335,168	To 12/1 .05
							21,600	12/1 .065
Balance	1,940,707	.07	135,849.49	99,976	To 1/10 .07	6,998.32		
				1,750,193	1/10 .08	140,015.44	3,322,028	.08
Balance (ten billion excess)	1,024,504	.05	51,225.19	1,088,330	.05	54,416.49	.....	..
Adjustments (Quota-Avg. rate and Sev. tax)	.....	..	5,769.98	.....	..	7,259.52	.....	..
Total	3,183,145	.0640	$204,241.36	3,242,595	.0690	$223,894.57	3,678,794	.0790
n Line	7,528,298	.0359	$270,583.53	7,043,455	.0356	$250,431.15	7,987,131	.0350

* Includes gas gathering taxes beginning with July 1 (effective date new contract.)

1940				1941			
Revenue	M. Cu. Ft.	Billing Price	Revenue	M. Cu. Ft.	Billing Price		Revenue
$ 20,376.94	0			0			
$ 98,730.04	1,513,546	.085	$128,651.43	869,221	To 7/1	.085	$ 73,883.78
273,379.25	6,776,589	.05	338,829.45	4,484,610	To 7/1	.05	224,230.50
					From 7/1		
.....	.....	..	.....	3,747,111	Comm.	.05	187,355.55
				(134,356)	Demand	.35	47,024.60
				588,682	Excess		36,942.70
				4,335,793			271,322.85
1,855.97	.....	..	2,185.81	.....		..	11,380.61*
$373,965.26	8,290,135	.0567	$469,666.69	9,689,624		.0599	$580,817.74
$400,692.14	.....	...	.....	.....		..	.....
11,212.66	1,107,591	.076	$ 84,176.92	1,369,626		.076	$104,091.58
3,714.12	5,898,701	.08	471,896.08	6,956,934		.08	556,554.72
3,714.12	.....	...	3,854.74	.....		..	4,722.64
$471,676.92	7,006,292	.0799	$559,927.74	8,326,560		.0799	$665,368.94
$ 74,515.80	0			0			
$ 16,758.30	253,773	To 12/1	.065 $ 16,495.25				
1,404.00	29,310	12/1	.08 2,344.80	395,494		.08	$ 31,639.52
265,762.24	3,169,507		.08 253,560.56	3,568,663		.08	285,493.04
.....	.....	..	.....	.....		..	.....
6,739.16	.....	..	6,335.67	.....		..	7,344.61
$290,663.70	3,452,590	.0807	$278,736.28	3,964,157		.0819	$324,477.17
$279,563.00	5,688,333	.0361	$205,281.26	4,759,210		.0347	$165,222.22

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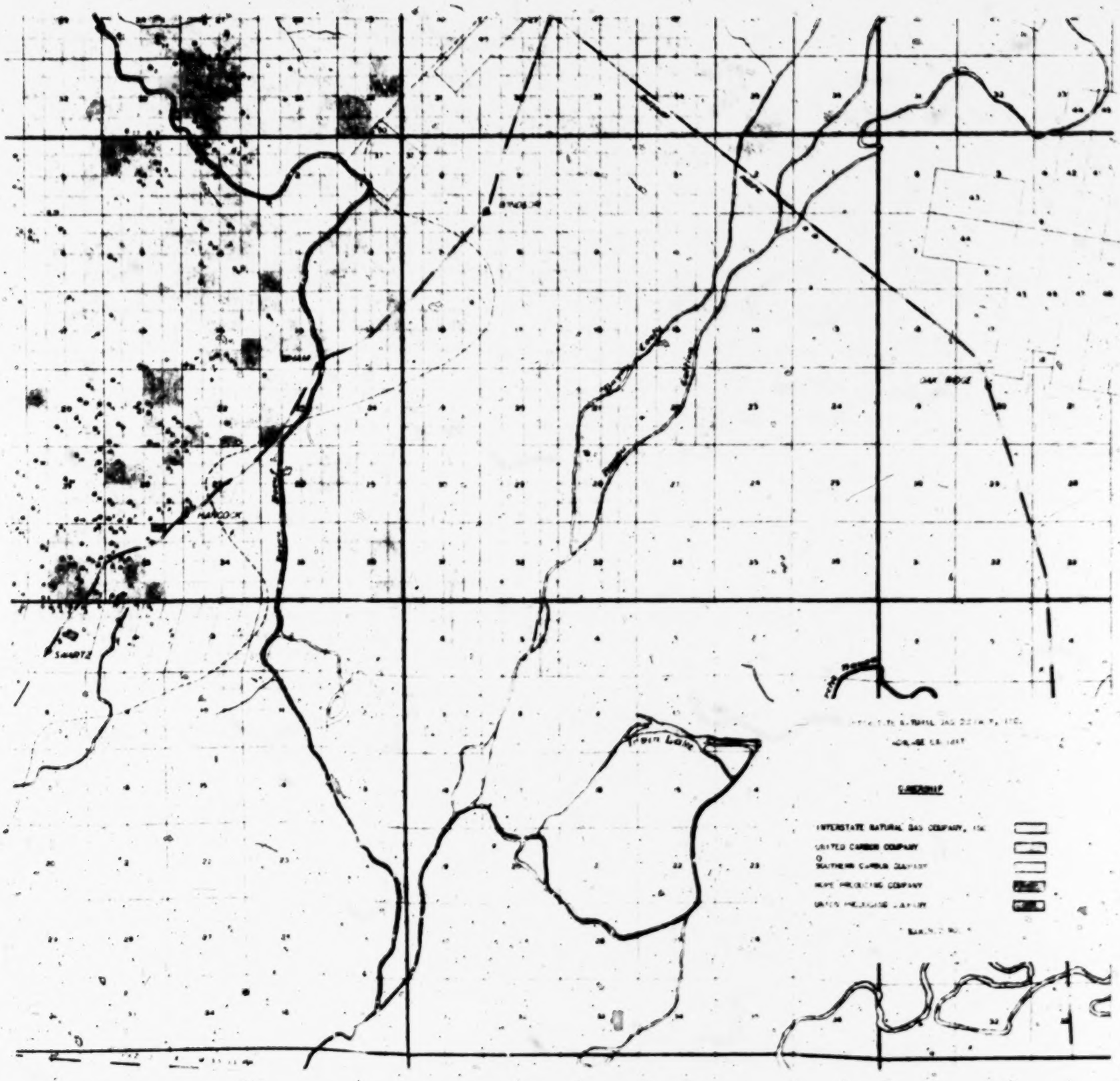
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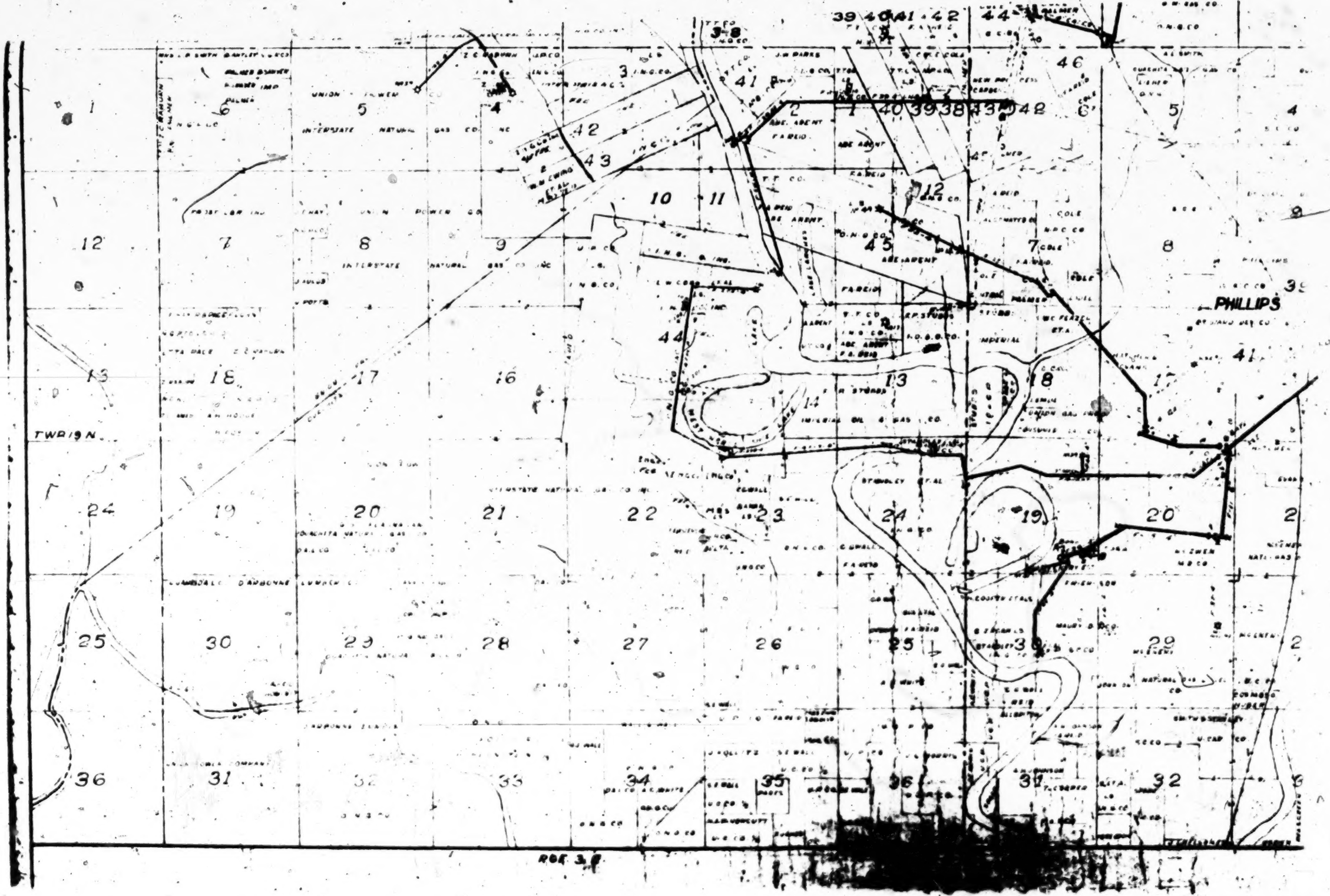
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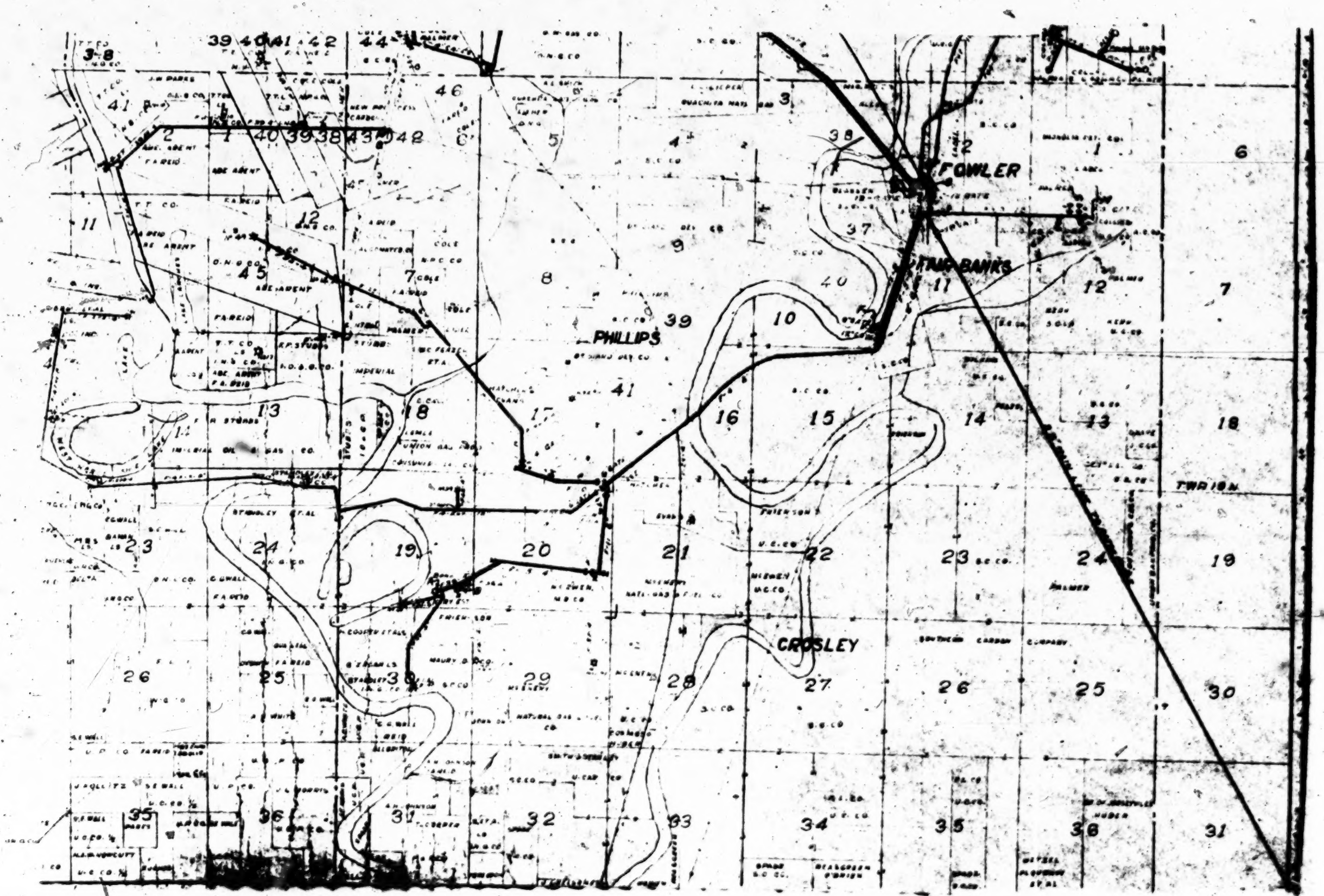
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Vol. II

TRANSCRIPT OF RECORD

(Pages 537 to 950)

Supreme Court of the United States

OCTOBER TERM, 1946

No. 733

INTERSTATE NATURAL GAS COMPANY, INCORPORATED, PETITIONER,

vs.

FEDERAL POWER COMMISSION, LOUISIANA, PUBLIC SERVICE COMMISSION, CITY OF NEW ORLEANS, LOUISIANA, AND CITY OF BATON ROUGE, LOUISIANA

ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE FIFTH CIRCUIT

PETITION FOR CERTIORARI FILED NOVEMBER 30, 1946.

CERTIORARI GRANTED FEBRUARY 10, 1947.

VOLUME II.

TRANSCRIPT OF RECORD.

UNITED STATES

CIRCUIT COURT OF APPEALS

FIFTH CIRCUIT.

No. 10,701

INTERSTATE NATURAL GAS COMPANY, INCORPORATED,

Petitioner,

versus

FEDERAL POWER COMMISSION, LOUISIANA PUBLIC SERVICE COMMISSION, CITY OF NEW ORLEANS, LOUISIANA, CITY OF BATON ROUGE, LOUISIANA,

Respondents.

Petition for Review of an Order of the Federal Power Commission, Washington, D. C.

(ORIGINAL RECORD RECEIVED AUG. 13/43.)

EXHIBIT No. 4.

Agreement

Between

Standard Oil Company (New Jersey)
and
Ford, Bacon and Davis, Inc.

10-9-25.

Agreement, made this 9th day of October, 1925, between Standard Oil Company (New Jersey), hereinafter called the "Purchaser", party of the first part, and Ford, Bacon and Davis, Inc., a corporation of the State of New Jersey, hereinafter called the "Engineers", party of the second part;

Witnesseth: Whereas, the Purchaser, owning the capital stock of the Standard Oil Company of Louisiana, desires to decrease the fuel costs at the oil refinery of the Standard Oil Company of Louisiana at Baton Rouge, La., by the use of natural gas; and

Whereas, important deposits of natural gas in what is known as the Monroe field, situate in Morehouse, Union and Ouachita Parishes, in Louisiana, near the towns of Monroe and Bastrop, are believed to exist in sufficient volume to furnish fuel at the said refinery and to warrant the financing and construction of a pipe line system; the nature and extent of such gas supply being more specifically set forth in a report dated March 1, 1925, to the Purchaser by the Engineers, copy of which is attached hereto and made a part hereof, as Exhibit No. 1; and

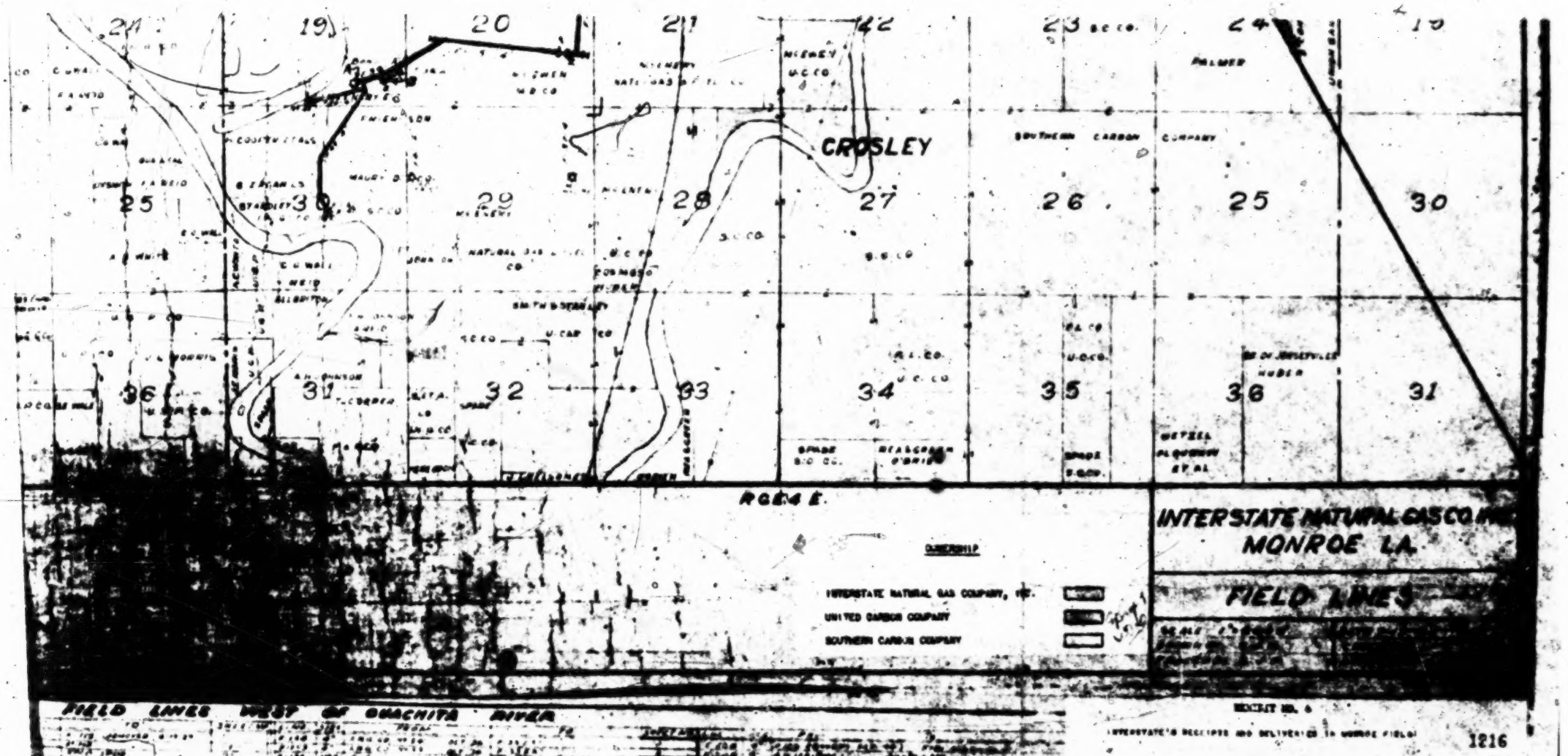
25 30 29 28 27 26 25 30 29

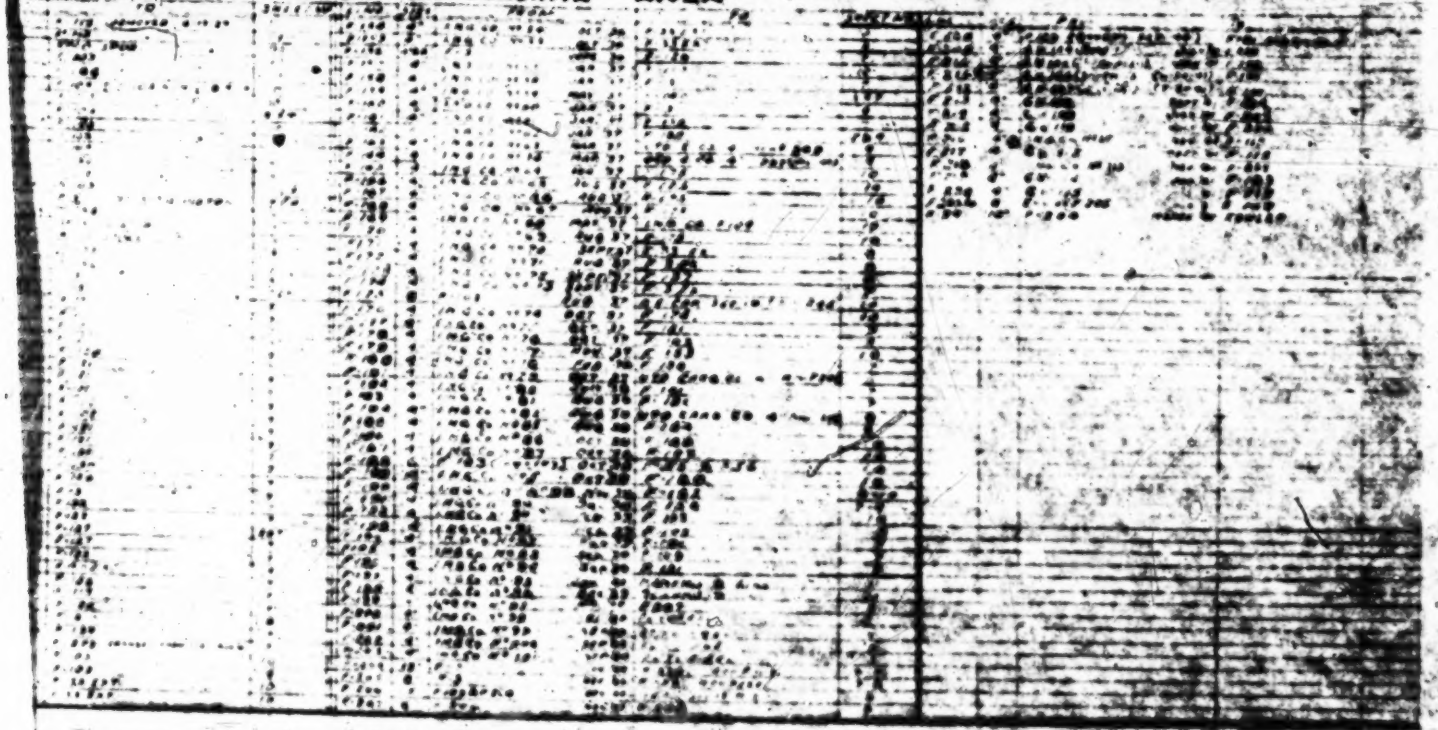
36 31 33 34 35 36 31 32

ROE 3 E

FIELD LINES EAST OF OUACHITA RIVER

FIELD LINES WEST OF OUACHITA RIVER


CROSLEY
RGE.4 E.
INTERSTATE NATURAL GAS CO. INC.
MONROE LA.
FIELD LINES
OWNERSHIP
INTERSTATE NATURAL GAS COMPANY, INC.
UNITED CARBON COMPANY
SOUTHERN CARBON COMPANY


FIELD LINES WEST OF OUACHITA RIVER

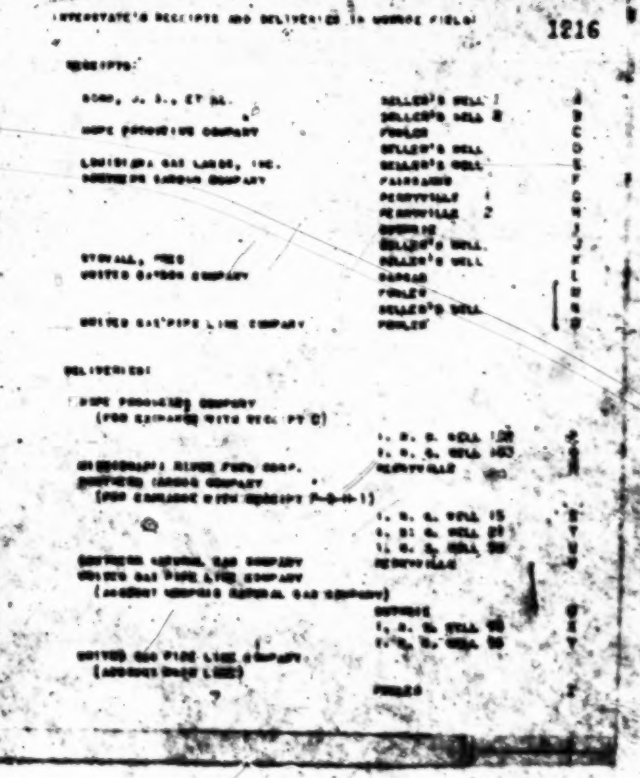


EXHIBIT NO. 6
1216

Whereas, in order to insure a sufficient supply of natural gas, it is deemed necessary to acquire gas reserves and particularly to secure the gas holdings of the Texas Company, the so-called Walbridge or H. C. Morris, Trustee, interests, and the so-called Frost-Johnson interests, substantially as shown upon the map of the Engineers, No. M 8299, dated March 30, 1925, attached hereto and made part hereof, as Exhibit No. 2; and

Whereas, for such purpose the Purchaser is willing to cause a contract to be entered into by the Standard Oil Company of Louisiana to purchase gas from a new corporation to be formed to acquire the foregoing gas reserves and to develop and operate the same and to construct and operate the pipe line system on condition that the said gas holdings are in Purchaser's opinion sufficiently consolidated to warrant the undertaking; and

Whereas, the Purchaser desires the services of the Engineers to secure and operate said gas reserves and to construct and manage the natural gas facilities and system under the Plan of Organization called the "Suggested Plan of September 10, 1925", attached hereto as Exhibit No. 3;

Now, Therefore, in consideration of the premises and of the mutual covenants herein contained, the parties hereto agree as follows:

1. In the event that the Engineers are successful in securing the natural gas reserves in the Monroe field as herein contemplated, the Purchaser will cause a new company to be incorporated and organized on the plan or substantially on the plan as set forth in Exhibit No. 3. Said company will be referred to herein as the Louisiana Natural Gas Company, but may be organized under some other name as later selected.

2. The parties have agreed upon a form of contract to be entered into between the Standard Oil Company of Louisiana and the said Louisiana Natural Gas Company for the respective purchase and sale of natural gas at the Baton Rouge Refinery, which form of contract is attached hereto and marked Exhibit No. 4. The Purchaser agrees to cause the Standard Oil Company of Louisiana to enter into said contract substantially as shown or as the same may with the consent of the Purchaser be modified, in the event that the Engineers are successful in carrying out the plan of acquiring said natural gas reserves as they may exist at the time with such changes as may from time to time occur in the ordinary course of business, and in inducing the owners of said gas holdings to convey or otherwise make available their holdings to the new company as an outlet for their production.

The amount of gas so to be purchased by the refinery is so much of its fuel requirements in addition to the use of its by-product petroleum coke, tar and other fuel residue, as it may profitably secure out of the natural gas available, and at least Sixty Million (60,000,000) cubic feet per day of twenty four hours. Such purchases shall be through a term of ten (10) years, at a price of Fifteen Cents (15¢) per thousand cubic feet for the gas delivered at said refinery and measured there at a pressure of eight ounces gauge pressure and at a temperature of sixty degrees Fahrenheit, and for the purposes of measurement the absolute atmospheric (or barometric) pressure shall be assumed to be 14.4 pounds, irrespective of actual elevation or location above sea level or variations in such barometric pressure from day to day. Provision in said contract is also made for purchase of gas after the end of said ten (10) years.

3. The Engineers agree to forthwith open negotiations with the Texas Company, the so-called Walbridge or H. C. Morris, Trustee, interests, and the so-called Frost-Johnson interests, or any of them, or others, and will diligently pursue such negotiations in an effort to acquire for the account of the Purchaser the gas lands and/or leases owned or controlled by such interests in the Monroe field by purchase for cash and/or securities of said Louisiana Natural Gas Company, on the plan of organization, Exhibit No. 3, and agree to report the result of such negotiations to the Purchaser from time to time for the Purchaser's approval. In the event the Engineers are unable to so acquire the said gas lands and/or leases in accordance with said Plan, Exhibit No. 3, then they are to continue during the three months' term of this contract and during any renewal thereof to endeavor to work out a substitute plan satisfactory to the Purchaser unless and until advised by it to terminate such efforts. The Purchaser agrees for the term of this contract including any renewal thereof that such negotiations for its account for the gas holdings as herein set forth shall be conducted solely by the Engineers and that the Purchaser will refrain from any negotiations of any character for such holdings with others than the Engineers.

4. The Engineers will delegate such of their organization personnel as are qualified and necessary for the work developed by such negotiations, including such technical work as may be necessary in connection with it and with the appraisal of comparative field acreage and lease values if required, and so forth, and will charge the Purchaser seventy-five per centum (75%) of the present scale of per diem charges now in effect in the retaining contract now existing between the Purchaser and the Engineers for such of the Engineers' organization used upon the work in addition to expenses incurred

thereby, and upon the further charge that if an agreement is reached under which all of the gas holdings of the said Texas Company, the said Walbridge and said Frost-Johnson interests, in the Monroe field, substantially as shown by the map of the Engineers, Exhibit No. 2, (subject to any valid existing prior commitments thereof and to the changes occurring in the ordinary course of business) are acquired and the natural gas holdings made potentially available to the refinery at Baton Rouge, under the Plan, Exhibit No. 3, then the Purchaser will pay to the Engineers in addition to the per diem scale of charges aforesaid, the further sum of One Hundred Thousand Dollars ($100,000), to be paid in cash within thirty days from the date of delivery to the Purchaser of the agreements on the part of the aforesaid three interests, namely, the Texas Company, Walbridge and Frost-Johnson interests; it is further understood in the event that the Engineers are unable to so secure the holdings of all three of the aforesaid Texas Company, Walbridge and Frost-Johnson interests, but are able to so secure all or a part of one or more of such interests and/or gas holdings from other interests in the Monroe field on terms satisfactory to the Purchaser on the basis proposed by the Plan, Exhibit No. 3, or as such basis may with the approval of the Purchaser be modified, then the aforesaid fee of One Hundred Thousand Dollars ($100,000) shall be payable to the Engineers by the Purchaser within said thirty day period from the date of delivery to and acceptance by the Purchaser of such agreements.

5. In conducting the aforesaid negotiations with the owners of the gas holdings, the Engineers shall endeavor to secure the assent of the Texas Company, Walbridge and Frost-Johnson interests, above named, or any others that may be acquired hereunder, without any commitment on the part of the Purchaser to proceed hereunder

until the Purchaser shall have had the opportunity of considering the situation with the agreements of all such interests or any of them, or of the others, in the light of conditions existing as to fuel supplies at such time, touching all of which the Purchaser would be free to then act as its best interests in its sole judgment warrant, including the freedom on the part of the Purchaser to terminate the project or to adopt any other plan; nothing herein, however, shall in any way lessen or modify the obligations of the Purchaser to the Engineers hereunder with respect to compensation as outlined in the Fourth Article hereof, for work performed to the time of such abandonment or change.

6. In the event the Purchaser elects under the provisions of Article 5 to proceed in furtherance of the Plan, Exhibit No. 3, or any other plan, the Purchaser agrees that the engineering and construction work in connection with the construction and putting into operation of the pipe line system to produce and gather the gas and connect up the gas field with the refinery shall be performed by the Engineers, and the Engineers agree to so perform it, and shall include the design of the necessary facilities to produce, gather, transport and deliver to the Standard Oil Company of Louisiana the supplies of natural gas agreed upon, and the purchase of the necessary materials and equipment and the construction and supervision of all of the work until completed, all for the account of and subject to the approval of the Purchaser, in the most effective and economical manner, provided, however, the Purchaser reserves the right to purchase all or such portions of the pipe, machinery and equipment as it may deem advisable without, however, lessening the Engineers' compensation hereunder. For these services the Purchaser agrees to pay to the Engineers in addition to all the Engineers' expenses (including salaries

of members of Engineers' organization engaged on the work plus fifty per cent. (50%) thereof for overhead), as follows: For the primary construction during the first year or until gas deliveries to the refinery commence, which includes the construction of the main line (now planned to be twenty inches in diameter), field compressor station, field lines, including at least two main branches from the field compressing station, and appurtenant miscellaneous expenditures, the flat sum of Three Hundred Thousand Dollars ($300,000) payable in twelve equal monthly installments beginning when the work is initiated; should it be determined by the Purchaser that it is expedient to drill a number of new wells and connect them up as a part of the completed plant ready for operation at the end of the first year or at the time gas deliveries to the refinery commence, in that event there shall also be paid to the Engineers by the Purchaser for the primary construction during such period in addition to such Engineers' expense, four per cent. (4%) of the total cost of such wells, payable as to each well on the completion thereof. Should it be determined by the Purchaser to enlarge the plan of the pipe line system thereby involving additional engineering and/or construction services and/or construction expenditures, the flat sum of Three Hundred Thousand Dollars ($300,000) shall be increased by the amount of four per cent. (4%) upon such increased construction cost. After the primary construction is completed the Purchaser agrees to pay to the Engineers or cause the Louisiana Natural Gas Company to pay a net fee after all such Engineers' expenses, of four per cent. (4%) of the total cost of the construction constituting permanent additions to the pipe line system, such as additions (not replacements) to the compressing equipment and new pipe lines; such percentage, however, shall not be figured upon or applied to general overhead items, purchase of gas acreage and

leases, working capital, or the cost of drilling wells, excepting the primary wells if drilled as above provided. The construction arrangement herein provided for shall become effective as of the date of delivery to and acceptance by the Purchaser of the agreements covering the acquisition of the gas holdings of the Texas Company, Walbridge and Frost-Johnson interests, or any of them, or others satisfactory to the Purchaser as hereinabove set forth, or such other date as the Purchaser may agree to proceed with the undertaking, and shall continue for five (5) years from such date, with the right to the Purchaser to renew it on the same terms on three months' notice prior to the expiration of the five year period for an additional period of five (5) years provided the minimum annual payment of such four per cent. (4%) during such additional five year period shall be not less than Five Thousand Dollars ($5,000).

7. It is contemplated that the Engineers shall furnish engineering, technical and management advice and shall supervise the current operations of the Louisiana Natural Gas Company, and they agree to do so; the Purchaser agrees to use its best efforts to cause the directors of the Louisiana Natural Gas Company to act and consult with the Engineers in the selection of its officers and employees and to carry out said policy. If desired by the Purchaser, the Engineers shall furnish directors and officers from its own organization. The Engineers shall report the results of the management to the Purchaser or its nominee through regular standard monthly operating reports on forms satisfactory to the Purchaser. Said arrangement between the Purchaser and the Engineers shall become effective as of the date of the first commercial delivery of natural gas to the refinery and continue for a period of five (5) years thereafter, subject to renewal as herein provided. The Purchaser agrees to pay or cause the Louisiana Natural Gas Company to pay the Engineers for the current management and su-

pervision of operations and technical and engineer studies thereof, a net fee after all expenses, including the salary of the President or other chief executive of the proposed new company even though the Engineers with the approval of the Purchaser find it necessary to go outside of their organization for such executive, of Fifty Thousand Dollars ($50,000) per annum, payable monthly, with the right to the Purchaser on notice given three months prior to the expiration of the term to renew said contract for a further period of five (5) years at a net fee of Fifty Five Thousand Dollars ($55,000) per year payable monthly.

8. If and as requested by the Purchaser the Engineers agree to undertake to acquire for the Purchaser's account and in the name of such nominee as the Purchaser may determine, such additional natural gas holdings in the Monroe field as shown by the aforesaid map, Exhibit No. 2, as are not now owned or controlled by the aforesaid Texas Company, Walbridge or Frost-Johnson interests, and for such purpose to delegrate the necessary personnel to secure such interests and to lodge with the Purchaser from time to time such contracts of purchase, leases or options to purchase or lease, as the Engineers may thus be able to secure. Charge for this work shall be made on the standard per diem scale of the Engineers as above referred to or as agreed upon with the Purchaser, which shall not be subject to reduction as above provided for in Article 4 hereof. The Engineers also agree, subject to the provisions of Article Eleven hereof, to submit to the Purchaser for acquisition by the Purchaser or by the Louisiana Natural Gas Company after its organization, any gas holdings or contracts for gas in the Monroe field available to or coming to the knowledge of the Engineers during the term of this agreement, and to consult with and be guided by the wishes of the Purchaser in the securing of gas holdings and gas contracts other than those of the Texas Company, Walbridge and Frost-Johnson interests.

9. The Engineers have apprised the Purchaser of the situation formerly existing with the former associates of the Engineers in the Southern Power & Light Company, with which company the Purchaser authorized the Engineers to make the aforesaid joint natural gas content study of the Monroe, La., field as of March 1, 1925, as the result of which study such former associates of the Engineers, i. e., the Chase Securities Corporation, John Nickerson & Company and latterly the Electric Power & Light Corporation, all of New York, held expectations of proceeding in the development of this enterprise with the Purchaser, although it was made entirely clear to the Engineers and to such former associates by the Purchaser at the time such joint study was arranged for, that the Purchaser would be liable for no further cooperation with the Engineers or with such former associates if as the result of consideration of such joint study the Purchaser elected to proceed otherwise. The Engineers feel, however, notwithstanding the above stipulation of the Purchaser under which the Purchaser was to be and is free to proceed as the Purchaser sees fit, that it would not be inequitable if, as and when the matter of financing the cost of the necessary facilities and equipment for delivering the gas supplies to Baton Rouge as contemplated hereunder is undertaken, the Purchaser would then extend to the aforesaid Chase Securities Corporation, John Nickerson & Company and Electric Power & Light Corporation the opportunity of participating in the financing of such facilities with the bankers of the Purchaser and on the same terms.

10. In connection with Article 9 hereof, the Engineers have informed the Purchaser of the services rendered by Mr. H. C. Couch, President of the Southern Power & Light Company, to such former associates of the Engineers and have explained to the Purchaser that it may develop that the said H. C. Couch may be of very real

value to the Purchaser and the Engineers in the matter of assisting in the consolidation of the field acreage and lease interests as contemplated hereunder; it is understood, therefore, that if in the judgment of the Engineers such assistance of the said H. C. Couch proves to be desirable, the Engineers are authorized to make the necessary arrangements with the said H. C. Couch subject to the approval of the Purchaser to enlist the said H. C. Couch's co-operation in the matter of acquiring such natural gas acreage and/or leases.

11. The Engineers represent to the Purchaser that they are now employed by the Electric Power & Light Corporation which corporation assumed the Engineers' contract with the Southern Power & Light Company, under a contract which obligates them to act as Engineers and Constructors with respect to such natural gas construction as it (Southern Power & Light Company) may determine to undertake and to co-operate with them (Southern Power & Light Company) in the negotiation of contracts for the purchase of fuel. Such contracts would include natural gas for use, for instance, at the new Sterlington, La., electric power plant of the Louisiana Power Company, a subsidiary of the said Southern Power & Light Company; the Engineers are not aware, inasmuch as the said Louisiana Power Company has already contracted for its gas requirements, of any possible negotiations which would at all conflict with the arrangements proposed hereunder by the Purchaser; should, however, such conflict of interests arise, the Purchaser understands that the Engineers would be first committed to negotiate in the interests of the aforesaid Electric Power & Light Corporation and its subsidiaries; the Purchaser understands, however, that the Engineers in every other respect are entirely free to represent the best interests of the Purchaser.

12. With respect to the arrangement for engineering and/or construction and/or management hereinabove referred to, it is understood that these arrangements will be embodied in contracts prepared for execution in the standard form of the Engineers, subject to and in substantial accord with the provisions of this agreement.

13. With reference to the foregoing, it is understood that the Purchaser will from time to time provide or cause the Louisiana Natural Gas Company to provide the Engineers from time to time on the latter's requisition such funds as may be necessary to carry forward with the Purchaser's approval the work herein outlined.

14. This agreement shall continue for a period of three months from the date hereof and shall be subject to renewal at the option of the Purchaser for a further period of three months at which time it shall terminate, except as may be embodied in contracts made or which the Engineers are then entitled to have made under Article 12 hereof.

In Witness Whereof the corporations parties hereto have hereunto set their corporate names and seals the day and date first above written.

STANDARD OIL COMPANY
(NEW JERSEY).
By GEO. H. JONES,
Vice Prest.

GW Attest: (Corp. Seal)
M. H. EAMES,
Asst. Secty.

FORD, BACON AND DAVIS,
INC.,
By G. W. BACON,
Vice Pres.

Attest: (Corp. Seal)
HENRY F. STORCK,
Asst. Secretary.

EXHIBIT No. 3.

Suggested Plan of September 10, 1925.

Common Stock—1,000,000 Shares, no par.
Stock issued first year.....625,000 shares
Stock subject to stock warrants .....125,000 shares

Bonds. First mortgage 6% 10 year gold sinking fund bonds, redeemable as a whole or in part by lot on any interest payment date on or after January 1st, 1928, on 30 days prior notice at $105 and accrued interest. With each bond of $1000 a detachable warrant entitling the holder to purchase 10 shares of common stock of no par value at $10 prior to January 1, 1930. $12,500,000 to be issued, $11,250,000 to be sold at par less 1% to underwriters, netting company $11,137,500, and $1,250,000 to be part payment for producing properties $12,500,000.00

Sinking Fund, at rate of $1,250,000 per year.

Division of Stock		1,000,000
Purchase by S. O. Co. (N. J.)	250,000	
Part payment for producing properties	125,000	
Consideration for refinery contract @ 15¢ per M for 10 years and for organization costs, S. O. La.	250,000	
Subject to stock warrants	125,000	750,000

Available in treasury for stock dividends or for additional financing	250,000	
Division of Bonds:		
$11,250,000 to be sold @ 99, netting Company		$11,137,500.00
1,250,000 to be part payment for producing properties.		
$12,500,000		
Cash Capital Received:		
From sale of bonds	$11,137,500	
From S. O. Co. (N. J.) for 250,000 shares of common stock @ $10 per share	2,500,000	$13,637,500.00
First Year Cash Requirements:		
Cash consideration, part payment for producing properties	$2,500,000	
Construction costs	9,590,000	12,090,000.00
		$1,547,500.00
The amount available at beginning of second year		$1,547,500.00
together with maturity of stock warrants		1,250,000.00
Total available to meet subsequent construction requirements		$2,797,500.00
3rd year	$1,020,000	
4th year	305,000	
5th year	802,500	
6th to 10th years	2,035,000	
	$4,162,500	

The Standard Oil Co. stock ownership would begin at 80% and ultimately stand at 66⅔% when stock warrants exercised.

Approximate Holdings.

Leaseholds and Wells.

	Proven Acreage	Wells	Unproven
Union Power Co. Frost-Johnson...	30,000	12	62,000
H. C. Morris, Tr. Walbridge interests	26,000	33	72,000
Texas Company	14,000	22	
Standard Oil Co. (La.)	2,800		

Agreement, made this 18th day of February, 1932, between Standard Oil Company (New Jersey), party of the first part, and Ford, Bacon & Davis, Inc., party of the second part;

Whereas, the parties hereto entered into a certain contract dated the 9th day of October, 1925, whereby the party of the second part undertook to procure certain natural gas producing properties in Louisiana and to construct certain natural gas pipeline transportation systems from such producing properties to Baton Rouge, Louisiana; and

Whereas, the parties desire to terminate such contract of October 9, 1925.

Now, Therefore, This Agreement Witnesseth: For and in consideration of the sum of One Dollar ($1.00) and of the premises and of the mutual covenants herein contained, the parties hereto agree as follows:

1: The hereinbefore mentioned contract between them dated the 9th day of October, 1925, shall be and the same is hereby terminated. Such termination to be effective the 1st day of January, 1932.

In Witness Whereof, the parties hereto have hereunto set their names and seals the day and year first above written.

STANDARD OIL COMPANY
(NEW JERSEY),
By: S. B. HUNT,
Vice President.

Attest:
M. H. EAMES,
(Seal) Asst. Secretary.

FORD, BACON & DAVIS, INC.,
By: WM. VON PUHL,
President.

Attest:
H. F. STORCK,
(Seal) Secretary.

EX. 42.

Interstate Natural Gas Company, Incorporated.

Description of Natural Gas Properties and the Production and Gathering Operations of the Company in the Monroe Gas Field, Morehouse, Union, and Ouachita Parishes, La.

I.

Purpose of Statement.

The purpose of this Statement is to describe the natural gas properties and the production and gathering operations of the Interstate Natural Gas Company, Incorporated (referred to herein as "Interstate") in the Monroe Gas Field, Morehouse, Union, and Ouachita Parishes, Louisiana, with particular reference to the facts surrounding the sale and delivery of natural gas to Mississippi River Fuel Corporation, United Gas Pipe Line Company (a/c Memphis Natural Gas Company), and Southern Natural Gas Company.

II.

Correlation Between This Statement and the Several Map Exhibits.

Exhibit 5 in this Proceeding is a Map designated in the bottom right-hand corner as "Monroe Gas Field—Acreage Map" and showing the natural gas properties held by Interstate and by other producers in the Monroe Gas Field. This Map Exhibit is referred to herein as the Acreage Map.

Exhibit 6 in this Proceeding is a Map designated in the bottom right-hand corner as "Interstate Natural Gas Company, Incorporated—Field Lines—No. 6—78A", and showing generally the properties of Interstate in the Monroe Gas Field. This Map Exhibit is referred to herein as the Field Line Map.

Exhibit 42 in this Proceeding is a Dispatching Diagram designated in the bottom right-hand corner as "Interstate Natural Gas Company, Incorporated—Dispatching Diagram, Monroe Field—No. 6—81A". This Exhibit is referred to herein as the Dispatching Diagram.

Exhibit 44 in this Proceeding is a Layout Sketch designated in the bottom right-hand corner as "Interstate Natural Gas Co., Inc.—DeSiard Compressor Station Layout of Inlet and Outlet Gas Mains—No. 3-34". This Exhibit is referred to herein as the DeSiard Station Layout Sketch.

Exhibit 45 in this Proceeding is a Diagrammatic Sketch showing the connections for deliveries to the Mississippi River Fuel Corporation, Southern Natural Gas Company, and United Gas Pipe Line Company (a/c Memphis Natural Gas Company). This Exhibit is referred to herein as "Schematic Diagram of Three Field Delivery Points."

III.

Summary of Operations of Interstate Company in the Monroe Gas Field.

1. Natural Gas Rights.

The Interstate Company acquired its first natural gas rights in the year 1926, when it purchased from the Union

Power Company the fee rights to all gas lying beneath some 40,050.99 acres of ground together with a lease covering 160 acres of land.

As of December 31, 1941, the Company held the gas rights and leaseholds and the fee simple in 56,555.91 acres of ground. The land presently covered by these rights is shown upon the Acreage Map and Field Line Map. These holdings are as follows:

	No. of Parcels	Acreage
Fee Gas Rights	363	48,005.98
Leaseholds	40	5,111.29
Fee Simple	24	3,438.64
	427	56,555.91

Of these holdings, those covering 44,719.61 acres of land are "operated"—that is, wells have been drilled and gas is being withdrawn in accordance with the terms of the leasehold or fee right covering the land.

Those covering 11,836.30 acres of land are now "unoperated"—that is, wells have not been drilled and the rights are held in reserve to provide gas for future needs.

2. Producing Gas Wells.

The Interstate Company began operations in 1927 with eleven (11) producing gas wells. It now owns and operates 110 producing wells ranging in age from 22 years to less than 1 year. Seven additional wells will be drilled during the summer of 1942.

The location of each of these wells is shown by a symbol upon the Field Map and Dispatching Diagram, and next to each such symbol there appears the Company's identifying number.

There is included in this Statement, at page 41, a Table showing the producing wells by serial number. This shows for each well: (1) the location, (2) the year when it was drilled or purchased, (3) the depth, (4) the original rock pressure, (5) the current rock pressure, (6) the original open flow capacity, (7) the current open flow capacity, and (8) the current allowable delivery capacity.

It will be noted that the depth of the vast majority of these wells falls between 2100 and 2300 feet. This is occasioned by the fact that there is one principal producing sand in the Monroe Gas Field—the so called "Monroe Gas Rock". A few wells have been drilled into a second deeper sand which is, however, spotty and not well defined.

3. Purchase of Gas.

Since its inception in 1927, the Interstate Company has purchased gas from other operators in the Monroe Gas Field. Such purchased gas has always constituted a major portion of the gas gathered by Interstate in the Monroe Field.

In the 15-year period, 1927-1941, such purchases amounted to 352,516,082,000 cubic feet or approximately 67.41% of the total gas gathered by Interstate. Purchases for each year have fallen between 20 and 27 billion cubic feet.

At the present time such purchases are made from the following producers at the delivery points specified:

Company	Delivery Point	Field Map Symbol	Volume Purchased in 1941 M. cu. ft.
Bond, J. B., et al.	Seller's Well 1	A	92,347
	Seller's Well 2	B	128,404
Hope Producing Co.	Fowler	C	1,095,000
	Seller's Well	D	369,773
Louisiana Gas Lands, Inc.	Seller's Well	E	158,964
Southern Carbon Co.	Fairbanks	F	7,531,644
	Perryville 1	G	0
	Perryville 2	H	4,254,795
	Guthrie	I	0
Stovall, Fred	Seller's Well	K	158,432
United Carbon Co	Cargas	L	3,310,970
	F-13	M	5,605,906
	Seller's Well	N	237,558

The natural gas properties held by two such vendors —the Southern Carbon Company and United Carbon Company—are shown in color upon the Field Line Map along with those of Interstate. The properties of Southern, United Carbon, and Hope Producing Company are shown in color upon the Acreage Map, along with the properties of Interstate and Union Producing Company.

The points at which such gas is received by the Interstate Company are indicated upon the Field Map Exhibit by identifying letters similar to those shown above.

At each such point of delivery, the Interstate Company owns and operates a meter station for the receipt and measurement of such gas.

4. Field Gathering Lines.

The gas produced and purchased in the Monroe Field is delivered into a complicated network of gathering lines.

These lines are shown in black with their identifying numbers upon the Field Line Map and Dispatching Diagram. There is attached to the Field Line Map a table showing each identifying line number and (1) the size of each line, (2) the point at which it commences, (3) the point at which it terminates, and (4) the date of purchase or completion of the more recent lines.

These field lines vary in size from 2 inches up to 16 inches in diameter, the size of each line depending upon the function which it performs in the gathering operation.

5. Deliveries of Gas in the Monroe Field.

All of the gas gathered in the Monroe Field system is delivered out of this system at several points in the Monroe Field, the locations of these delivery points being shown by symbols upon the Field Line Map and Dispatching Diagram.

Deliveries made to other companies in the Monroe Field are as follows:

Company	Delivery Point	Field Map Symbol	Deliveries in 1941 M. cu. ft.
Mississipi River Fuel Corp.	Perryville	R	8,326,560
Southern Natural Gas Co.	Perryville	V	9,689,624
United Gas Pipe Line Co. (Account Memphis Natural Gas Company)	Guthrie	W	3,608,147
	I.N.G. Well 95	X	167,211
	I.N.G. Well 96	Y	188,651
United Gas Pipe Line Co.	Fowler	Z	1,645,095

The remaining gas gathered in the system is delivered by Interstate in its own transmission system. One such

delivery is made into transmission line T-9 from field line F-33 at Perryville. The remainder of the gas is delivered into the Company's DeSiard Compressor Station for compression and transmission.

6. Exchanges of Gas.

It frequently happens in the Monroe Gas Field that wells belonging to Interstate may lie at such distance from its gathering system as to make it impractical to lay a line to such wells. As a result the Interstate Company has frequently entered into exchange gas agreements with other operators in the field whereby those operators accept delivery of the gas so produced and deliver to Interstate a like quantity of gas at other points in the field. The following arrangements exist at this time:

Interstate Well Number	Gas Exchanged With	Field Map Symbol
102	Hope Producing Co.	P
103	Hope Producing Co.	Q
15	Southern Carbon Co.	S
21	Southern Carbon Co.	T
56	Southern Carbon Co.	U

It also happens that the Interstate field lines may pass close to the isolated wells of other producers, and Interstate frequently enters into agreements under which it receives this gas and delivers like quantities of gas to the producer at another point in the field. At the present time the following such arrangements exist:

Interstate Field Line	Gas Exchanged With
F-53	Southern Carbon Co.
F-1	Hope Producing Co.

IV.

Historical Development of Production and Gathering Operations in the Field.

The Interstate Company was formed in the year 1926, primarily for the purpose of acquiring gas in the Monroe Gas Field, installing a transmission pipe line to carry this gas from the Monroe Field to Baton Rouge, and there supplying gas to the Standard Oil Company of Louisiana for use as a fuel in its Baton Rouge Refinery.

To this end, it was necessary that gas be secured in the Monroe Field—either by purchase from other producers or by production, or both. It was decided that the Company should acquire a field gathering system in the Monroe Gas Field; that in order to provide sufficient reserves of gas, it should acquire gas rights and wells of its own; and that, to supplement and conserve its own gas, it should purchase large proportions of its gas requirements.

During 1926, therefore, the Company purchased from the Union Power Company extensive natural gas properties which that company held in fee, together with a lease covering 160 acres, these properties giving Interstate the right to produce gas from beneath approximately 40,000 acres of land in the Monroe Gas Field. This property has ever since constituted the backbone of the Company's field operations. At the time of this purchase, eleven wells (given Interstate's well numbers 1 through 11) were located upon these properties. It will be noted, by reference to the Table of Producing Wells, page 41, that all of these original wells had been drilled in the year 1924 or earlier, and gas produced from them prior to the sale to Interstate had been gathered by the

Union Power Company in a field system which comprised what are now Interstate field lines F-101 through F-115; the principal lines in this system were F-102, F-103, F-108, and F-115. The gas so gathered had in part been sold by the Union Power Company to the Sterlington Power Plant, located near Sterlington on the Ouachita River, while the remainder had been used by the Union Power Company in a carbon black plant located at Upco Spur in Section 35; T-21-N; R-3-E. The Interstate Company incorporated this gathering system into the larger one covering much broader operations in producing acreage than Union Power had carried on. It provided connections between this system and its DeSiard Compressor Station at Fowler, so that gas gathered from the original wells purchased from Union Power Company was discharged out of the gathering system into DeSiard Compressor Station.

During 1926, Interstate also acquired natural gas properties from Frost Lumber Industries, A. G. Stephenson Trustee, The Texas Company, and Southern Carbon Company, aggregating approximately 7,000 acres.

To provide itself with sources of purchased gas, the Interstate Company through Ford, Bacon & Davis, Inc., likewise in 1926, entered into contracts with several independent producers in the Monroe Field. These contracts were with Hatcher and Evans, Maury Drilling Company, The Palmer Corporation, United Carbon Company, and Southern Carbon Company. To gather gas so purchased, the Interstate Company laid a 16-inch Line F-1 extending from points of connection with the Southern Carbon Company, United Carbon Company, and The Palmer Corporation in a southerly direction to DeSiard Compressor Station. A 12-inch Line F-2 was laid from a point of connection with the Southern Carbon Com-

pany at Fairbanks in a northerly direction to DeSiard Compressor Station. Also, Lines F-4, F-5, F-10, F-10a, F-11, F-15, and F-16 were installed to gather gas purchased from Hatcher and Evans and Maury Drilling Company, principally in the region of Phillips, southwest of Fowler. A 12-inch Line F-13 was laid east from DeSiard Compressor Station to a point of connection with the United Carbon Company to bring gas to DeSiard Station. Lines F-6, 7, 8, 9, 14, 17, 18, 19, 20, 21, 22, and 23 were small lines laid to supplement the larger gathering lines.

In the first year of operations, 1927, the Company purchased 21,934,200 Mcf in the Monroe Field and produced from its own ten wells only 790,550 Mcf. This great preponderance of purchased gas over gas produced continued steadily throughout the seven years 1928-1934.

The years 1927, 1928, 1929, and 1930 witnessed considerable expansion of the production and gathering system. Wells 15 and 21 were drilled near the Ouachita River in Morehouse Parish (Sec. 14; T-20-N; R-4-E), and these were later connected into the system through a 6-inch line F-30 which took gas to Line F-3. In the same years, Wells 13, 14, 16, 22, 23, 24, 25, and 26 were drilled to the west of the Ouachita River in Union Parish; these were later connected into the gathering system through Line F-121 and tributary lines F-122, 140, 123, 120, 128, 124, 125, and 127. In 1930, the Company laid Line F-33 to carry gas south from wells 15 and 21 to Line F-1 at Perryville, and there was thus provided a by-pass through which gas in Line F-3 could reach Perryville by traveling northeast through Line F-30 and southeast through Line F-33.

In the year 1929, several long natural gas transmission lines were laid from points in the Monroe Field to dis-

tant markets. These were the following: the Mississippi River Fuel Corporation Line, commencing at Perryville in the Monroe Field and extending north to the St. Louis, Missouri area; the Southern Natural Gas Corporation (now Southern Natural Gas Company) Line, extending from a point near Perryville to Birmingham, Alabama, and Atlanta, Georgia; the Memphis Natural Gas Company Line, extending from a point near Guthrie in the Monroe Field to Memphis, Tennessee; the Dixie Gulf Gas Company (now part of the United Gas Pipe Line Company) Line extending from a point near Sterlington in the Monroe Field into Texas; the Arkansas Louisiana Pipe Line Company (now the Arkansas Louisiana Gas Company) Line extending from a point near Sterlington in the Monroe Field northwest into Arkansas.

It has been explained above that the Interstate Company entered business with the primary purpose of supplying the industrial market at Baton Rouge, Louisiana. But, since it held large reserves in the Monroe Gas Field, both by virtue of its own gas properties and of its contracts for the purchase of gas, the Interstate Company entered into contracts for the supply, out of its gathering system, of a portion of the gas requirements of each of the pipe lines mentioned above. Accordingly, there were established in the Monroe Field connections with each of the above pipe line companies and the Interstate Company delivered gas to them at those points, the gas coming out of the general gathering system, principally Lines F-1, F-43, F-44, and F-19. In 1930, the first full year of sales to these various pipe line companies, approximately 6,000,000 Mcf were sold to them.

Also at this time, Interstate began selling gas to the Industrial Gas Company (now United Gas Pipe Line Company) at Fowler; this gas, along with other gas, was

then transported by Interstate for Southern Gas and Fuel Company (now United Gas Pipe Line Company) to Baton Rouge for delivery to the New Orleans market.

Thus by 1930, the production and gathering system had assumed the general pattern which it still bears today. More than thirty wells had been drilled or purchased. Contracts for the purchase of gas had been made. A field system had been built. Points for the delivery of gas had been established. The years since that time have witnessed a carrying forward of this general pattern.

During the years 1930-1934, the demands placed upon the gathering system in the Monroe Field were unexpectedly low, fluctuating between 22,000,000 and 27,000,000,000 Mcf per year. The smallness of this demand was occasioned partly by the business depression and partly by production in the nearby Richland Field. Since its gas purchase contracts obligated it to take certain minimum quantities of gas, Interstate was compelled to purchase nearly all of its field requirements. Accordingly, its production remained at unexpectedly low levels and its drilling activity came to a halt.

However, by 1935 production in the Richland Field was rapidly declining and also business conditions were improving. In consequence, the demands upon the Company's gathering system in the Monroe Field increased rapidly, jumping from 27,033,161 Mcf in 1934 to 34,142,293 Mcf in 1935. The following year they rose to 40,741,558 Mcf and in 1937 they rose to 46,108,823 Mcf. These increased demands required increased production.

Also, by 1935, Interstate was obliged to drill several wells to perpetuate its fee rights and leases.

Accordingly, the years 1935 and 1936 witnessed a resumption of drilling: in 1935, seven wells were drilled, these being Numbers 36-42 and in 1936, fifteen wells (Nos. 43-58) were drilled. In addition, wells 59 and 60 were purchased.

Increasing production and demands brought in their train a need for greatly increased capacity in the gathering pipe line system. Primarily, this meant the laying of additional field lines. In addition, it required some segregation of wells, so that high pressure wells might produce into high pressure field lines and low pressure wells into low pressure lines. Accordingly, the year 1936 witnessed the laying of several important field lines.

In 1936, line F-33 was extended north to a junction with line F-103. F-33 then became a high pressure gathering line to collect gas from several new high pressure wells—Nos. 50, 52, 53, 54, and 55. Several old wells still having high pressures—Nos. 2, 3, 4, 5, 6, and 7 likewise discharged into this high pressure field line. Since wells 15 and 21 had declined to rock pressures of 200 pounds by that time, these two wells and line F-30 were disconnected from line F-33. Gas thus gathered in line F-33 at approximately 380 pounds pressure was made available for discharge into the newly acquired loop line T-9. The old connections for discharge of gas from F-33 into F-1 remained in place and upon occasion gas can flow from F-33 into F-1.

Also in 1936, a 10-inch line F-51 was laid from a point of connection with line F-115 at Sterlington south to DeSiard Compressor Station, thus greatly increasing the capacity of the gathering system. Moreover, the addition of this line permitted the gathering of gas from the field at two different pressures; for example, gas could be

gathered in line F-3 at 150 pounds pressure and in line F-51 at 250 pounds, thus greatly facilitating the production of gas by allowing both high and low pressure wells to be handled under better conditions.

Heavy demands and, therefore, the requirement for heavy production continued during the years 1937 through 1941. Consequently, the Company continued drilling: in 1937, nineteen wells were drilled, these being Nos. 56 and 61-77 and 79; in 1938, eleven wells were drilled (Nos. 78 and 80-89); in 1939, seven wells (Nos. 90-96); in 1940, seven wells (Nos. 97-103); and in 1941, ten wells (Nos. 104-113). Two wells were purchased in 1941 (Nos. 114 and 115). In most cases, these wells were tied into the existing field system through short extensions.

Also in 1940 and 1941, the Company increased the productivity of many of its wells through an extensive program of acid treatment. This treatment utilizes an hydrochloric acid solution to clean out and enlarge the well bore and increase the flow of gas through the producing formation. Eighty-six wells were treated in this way and the aggregate open flow of these wells was increased from the former 489,744,000 cubic feet to 1,284,890,000 cubic feet per day.

The principal extension of the gathering system made necessary by these new wells comprised lines F-206, F-207, F-208, and F-209 which were laid north in 1940 to gather gas from wells 34, 63, 79, 82, 83, 97, 109, 110, 104, and 105. Previously several of these wells had discharged gas, on an exchange basis, into the field lines of the United Carbon Company at a point near well No. 34; but as the number of wells increased, an extension of the gathering lines became practicable. Since the wells along lines F-205—F-209 were high pressure, line F-204 was

also laid in 1940, to form a connecting link between this high pressure extension and the high pressure line F-33. In addition, line F-204 gathered gas from several high pressure wells, such as Nos. 706, 108, 91, 75, 31, 51, 90, and 57. Line F-204 also serves as a means for turning gas into line F-3 or F-115 is warranted.

Likewise, in 1940, line F-205 was laid paralleling F-121 to increase the take from the wells in the western part of the field.

As the system was thus developed, most high pressure gas was gathered through line F-33, while lines F-3 and F-51 brought south to DeSiard low and medium pressure gas. During 1941, it was felt necessary that a new line be laid into the northern part of the field to increase the capacity of the field line system. During recent months, therefore, the Company has laid a 16-inch line F-59 which extends from a point of connection with lines F-204 and F-206 south to DeSiard Station.

V.

Flow of Gas Through the Gathering System.

The function of the gathering pipe line system is to receive gas from a multitude of sources—wells and purchase points—in the Field to convey it at natural pressures to the points of discharge in the Field.

As the above historical development demonstrates, this function requires a flexible, ever-changing system which is characteristic of the production and gathering operation. New wells are drilled, rock pressures change, purchases fluctuate, demands decline or increase.

Hence, any description of the flow of gas through the gathering system must be strictly related to the present, for the unforeseen circumstances of the future will inevitably upset the careful balance of today and require that the gathering system be constantly modified and adapted.

At the present time, the gathering system is arranged into several fairly well defined segments—each of which gathers gas from some portion of the field or at some specific pressure.

A very large portion of the high pressure gas is gathered into a system of lines tributary to Line F-33 which extends from the Line F-104 to a junction with Lines F-1 and T-9 at Perryville. Into this high pressure system feed most of the high pressure wells in the northern portion of the Field. This is the case with all of the wells (Nos. 110, 109, 34, 97, 79, 82, 83, 63, 104, and 105) lying along lines F-206, F-208, F-209, and F-210; also the Company is about to drill seven additional wells at locations along Line F-206. Another group of wells (Nos. 64, 65, 66, 67, 69, and 74) feeds into this high pressure system through Line F-175. At several points along F-33, individual wells feed in, this being the case with wells 3, 68, 77, 53, 54, 52, 70, 6, 7, and 55. Along F-204 wells 108, 76, 91, 75, 51, 31, 57, and 90 feed in.

Gas normally flows out of this group of field lines, via F-33, into transmission line T-9. It may, when warranted, also flow out of line F-204 into lines F-13, F-115, and F-59 in the northern part of the field.

All the remaining wells in the northern portion of the field, principally medium and low pressure wells, feed into lines which are presently tributary to the 12-

inch line F-3, the composite line F-115—F-51, and the 16-inch line F-59. The gas so gathered also includes gas purchased from Louisiana Gas Lands, Inc., Hope Producing Company, Fred Stovall, and United Carbon Company, these points of purchase being shown upon the Field Line Map. The pressures in these three lines at present fluotuate between 200 and 250 pounds depending upon many factors such as the number of wells turned in and the load on the gathering system. The pressures in the three lines may differ considerably from one another. Gas reaching the southern end of lines F-3, F-51, and F-59 at DeSiard Station may flow either into the Compressor Station or into lines F-1 and F-44.

A third group of wells, in the southern portion of the Field (Nos. 12, 49, 39, 41, 40, 42, 98, 99, 100, 101) discharge gas through a group of field lines which are tributary to lines F-5, F-4, and F-4 Extension With this there is intermingled gas purchased from J. B. Bond, et al. at wells in Section 19; T-19N; R-4E, this being points "A" and "B" on the Field Line Map.

Gas purchased from the Southern Carbon Company at Fairbanks in Section 10; T19-N; R-4-E; enters line F-2 at point "F" upon the Field Line Map. This gas reaches DeSiard Compressor Station at between 100-120 pounds. It always flows into the Compressor Station for pumping into the transmission line to Baton Rouge.

A fifth body of gas is gathered in the 12-inch line F-13 after being purchased from the United Carbon Company in Section 12; T-19-N; R-4-E; at the point designated "M" upon the Field Line Map. This gas reaches DeSiard Station at pressures ranging between 135 and 150 pounds. It may flow either into the Compressor Station via F-2 or into line F-1 via F-45. At present this gas normally flows into line F-1.

A sixth body of gas is delivered to Interstate Company by Hope Producing Company at DeSiard Station, marked "C" on the Field Line Map. This gas is received at pressures between 135 and 150 pounds. It may flow into the Compressor Station or into line F-1 or F-44. At present this gas normally flows into line F-1.

The gathering line F-1 extends between DeSiard Compressor Station on the south and Perryville on the north. As has been shown into the Historical Development, this line first served only to gather gas purchased from three producers: Southern Carbon Company, United Carbon Company, and Palmer Corporation, and the gas flowed into DeSiard Station. In 1929, three additional points of delivery were connected with this line—Mississippi River Fuel Corporation, Southern Natural Gas Company, and Memphis Natural Gas Company. And, in consequence, the line now functions as a gathering "header" in which gas may flow back and forth depending upon the productivity of the various sources and the demands of the various markets. At the present time gas may flow into line F-1 from any or all of 11 sources—(1) Southern Carbon Company at Perryville; (2) Line F-33 at Perryville (in emergencies); (3) United Carbon Company at Cargas; (4) Southern Carbon Company at Guthrie; (5) from line F-44 via F-9 at Guthrie (now closed); (6) Line F-3 at Fowler; (7) Line F-51 at Fowler; (8) Line F-59 at Fowler; (9) Line F-5 at Fowler; (10) Line F-13 at Fowler via F-45, and (11) the Hope Producing Company at Fowler.

At the same time gas may flow out of this line at four points: To Mississippi River Fuel Corporation via F-33A, Southern Natural Gas Company via F-33A, Memphis Natural Gas Company via F-9, and DeSiard Compressor Station.

Thus, line F-1 acts as a major gathering point in the system—a common header into which gas from all parts of the field may flow and from which this intermingled gas flows to the points of field delivery to transmission system.

VI.

The Delivery of Gas in the Field.

1. Mississippi River Fuel Corporation.

The Perryville Compressor Station of the Mississippi River Fuel Corporation is situated on a plot of land in Section 42; T-19-N; R-4-E, Ouachita Parish, this plot adjoining the right-of-way of the Interstate Company's Line F-1. Two general photographic views of the exterior of this Station are included at Pages 24 and 25 of this Statement.

A short line, F-33A, extends from Line F-1 to a point of delivery upon the land of the Mississippi River Fuel Corporation, this point being generally shown as R on the Field Map. These lines and the delivery point are shown on the Schematic Diagram of Delivery Points.

Gas Flows out of Line F-33A to this point at the natural pressures in the Interstate Company's field system, these pressures varying between 100 and 150 pounds.

After leaving F-33, the gas flows through orifice meter runs in each of which there are two sets of orifice plates and flanges, the second of which is Mississippi's master meter and point of delivery. The meter house and orifice runs are shown in the photograph at Pages 26-27 of this Statement.

The gas then passes through gate valves into a header and is there intermingled with gas purchased by the Mississippi River Fuel Corporation from other producers. The intermingled gas then passes through scrubbers into the suction header of the compressor station. In the compressor station, all of the gas is compressed by the low-stage compressor engines, these engines being shown in the photograph attached at Pages 28-29 of this Statement. The gas, whether compressed by the low-stage engines or not, then passes into the high-stage compressor engines, shown on the photograph included at Page 30 of this Statement. These engines discharge the gas at pressures up to 425 pounds. The gas is then delivered from the high-stage compressor engines into a discharge header and then through coolers and dehydrators into the main transmission lines of the Mississippi River Fuel Corporation. It is then transported in this 22-inch line to points of delivery in Arkansas, Missouri, and Illinois.

2. Southern Natural Gas Company.

The Southern Natural Gas Company Compressor Station is situated upon land adjoining that of the Mississippi River Fuel Corporation, and its main transmission line commences at this point. A general exterior view of this compressor station is shown on the photograph at Page 31 of this Statement.

Gas is delivered to the Southern Natural Gas Company through the connecting line F-33A at a point adjoining the point of delivery to the Mississippi River Fuel Corporation. This is point "V" on the Field Line Map.

Gas flows out of line F-33A to this point at the natural presssures in the Interstate Company's field system.

These delivery pressures vary between 100 and 150 pounds.

Near the point of delivery, the gas passes out of line F-33A and through gate valves and orifice meter runs owned by the Interstate Company. A photograph of these valves and meter runs and of the meter house is included at Page 32 of this Statement. The location of the meters is shown on the Schematic Diagram of Deliveries.

After passing the delivery point at the outlet of Interstate's meters, the gas passes through a second set of check orifice flanges with meters belonging to Southern Natural into a header and is there intermingled with gas purchased by Southern from other producers. The intermingled gas then passes through scrubbers into the suction header of the compressor station.

A portion of the gas may be pumped in low-stage compressors, a photograph of which is included at Page 33 of this Statement. All of the gas, including any which may have been pumped in the low-stage, is then pumped by the high-stage compressor engines, a photograph of which is included at Page 34 of this Statement. The high-stage engines discharge the gas at pressure up to 450 pounds.

The gas following compression is discharged into a discharge header and then passes through coolers into the main transmission line. It is then transported through this transmission line to points of delivery in Mississippi, Alabama, and Georgia.

3. United Gas Pipe Line Company (a/c Memphis Natural Gas Company).

The Memphis Natural Gas Company Compressor Station is situated upon a plot of land in Section 35; T-19-N; R-4-E and its transmission line commences at this point. A general exterior view of this compressor station is shown on the photograph included at Page 35 of this Statement.

Gas is delivered through a short delivery line F-43 into which gas flows from line F-44 or from line F-1 (via F-9), this point being identified as "W" on the Field Line Map. These lines and delivery point are shown on the Schematic Diagram of Deliveries.

The gas flows out of line F-43 to the delivery point at between 200 and 225 pounds pressure at the present time.

Near the point of delivery the gas passes through orifice meter runs operated by the Interstate Company, a photograph of these meter runs and of the meter house being included at Page 36 of this Statement.

After passing the delivery point at the outlet of Interstate's meters, the gas enters a header owned by the Memphis Natural Gas Company and may there be intermingled with gas delivered by other producers. The gas then flows through scrubbers into the suction header of the compressor station. All of the gas is compressed by the compressor engines, a photograph of these high-stage engines being included at Page 37. The compressors discharge the gas at pressures up to 400 pounds.

The gas, following compression, is discharged into the discharge header and then passes through cooler into the main transmission line. It is then transported through this line to points of delivery in Arkansas and Tennessee.

4. United Gas Pipe Line Company.

A portion of the gas gathered in the Monroe Field is delivered and sold by the Interstate Company to the United Gas Pipe Line Company at the intake lines of the DeSiard Compressor Station. These lines are shown upon the DeSiard Compressor Station Layout Sketch. This is point "Z" on the Field Line Map. A general exterior view of DeSiard is included at page 38.

The gas so delivered and sold flows through scrubbers, a photograph of which is included at page 39, into the suction headers of the Compressor Station. It is then compressed by the compressor engines, a photograph of which is included at page 40. The compressors discharge the gas at pressures up to 360 pounds.

The gas, following compression, is discharged through coolers into the discharge header and then flows into the main transmisssion line. It is then transported through this line to Baton Rouge.

5. Transmission Line T-9.

Transmission line T-9 is connected with the field gathering line F-33. Gas flowing through line F-33 at approximately 380 pounds pressure is delivered into the transmission line T-9 at approximately 360 pounds pressure. The gas is then transported south and is delivered into the 22-inch transmission line at Alto, 22.39 miles south of DeSiard Station.

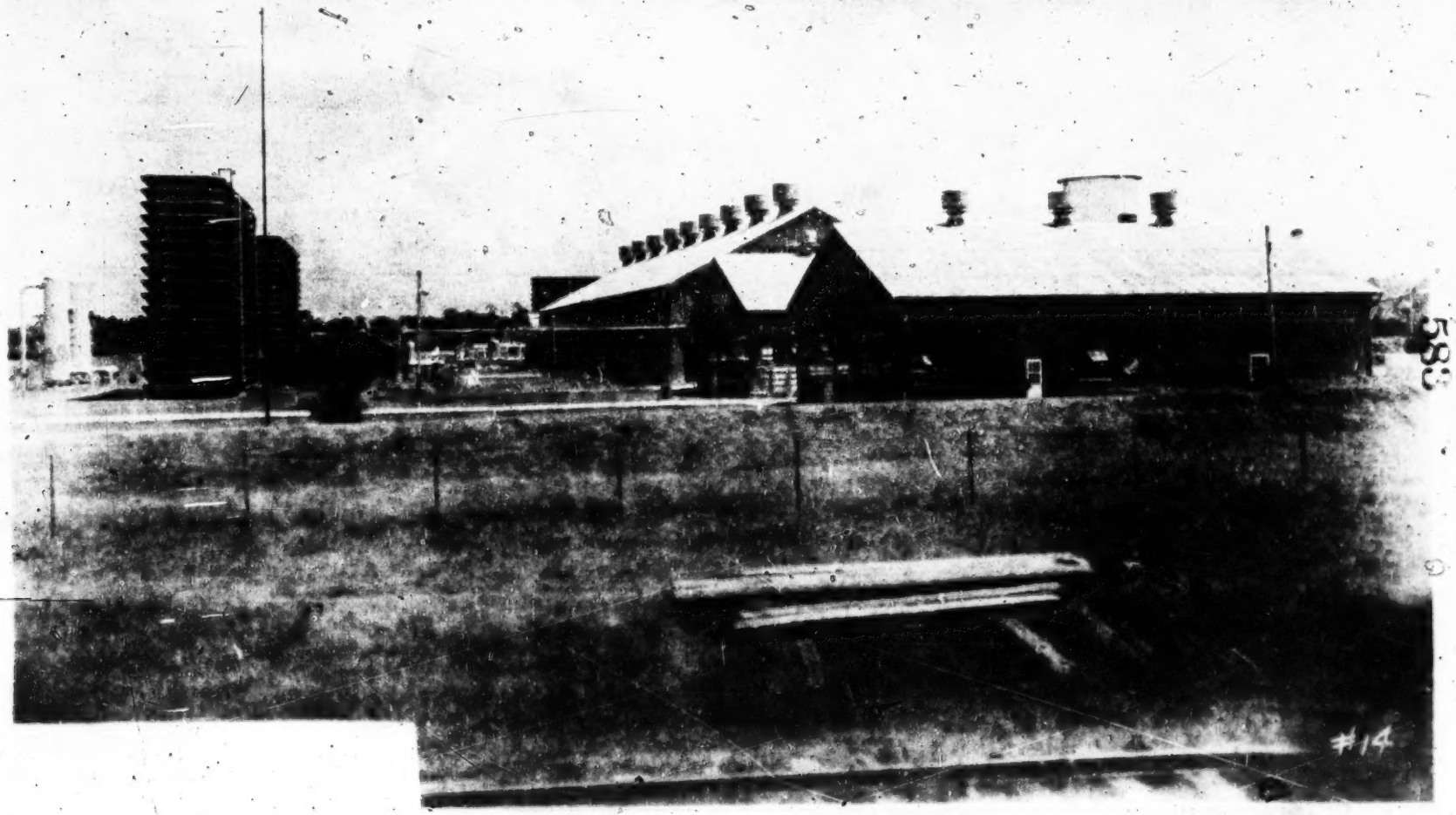
6. DeSiard Compressor Station.

The remaining gas gathered in the field is delivered through various lines into the Company's DeSiard Compressor Station. It is then scrubbed, compressed, cooled, and discharged in a manner similar to that described above under Paragraph 4.

Mississippi River Fuel Corporation

10 (C) General View From South - Compressor Station

582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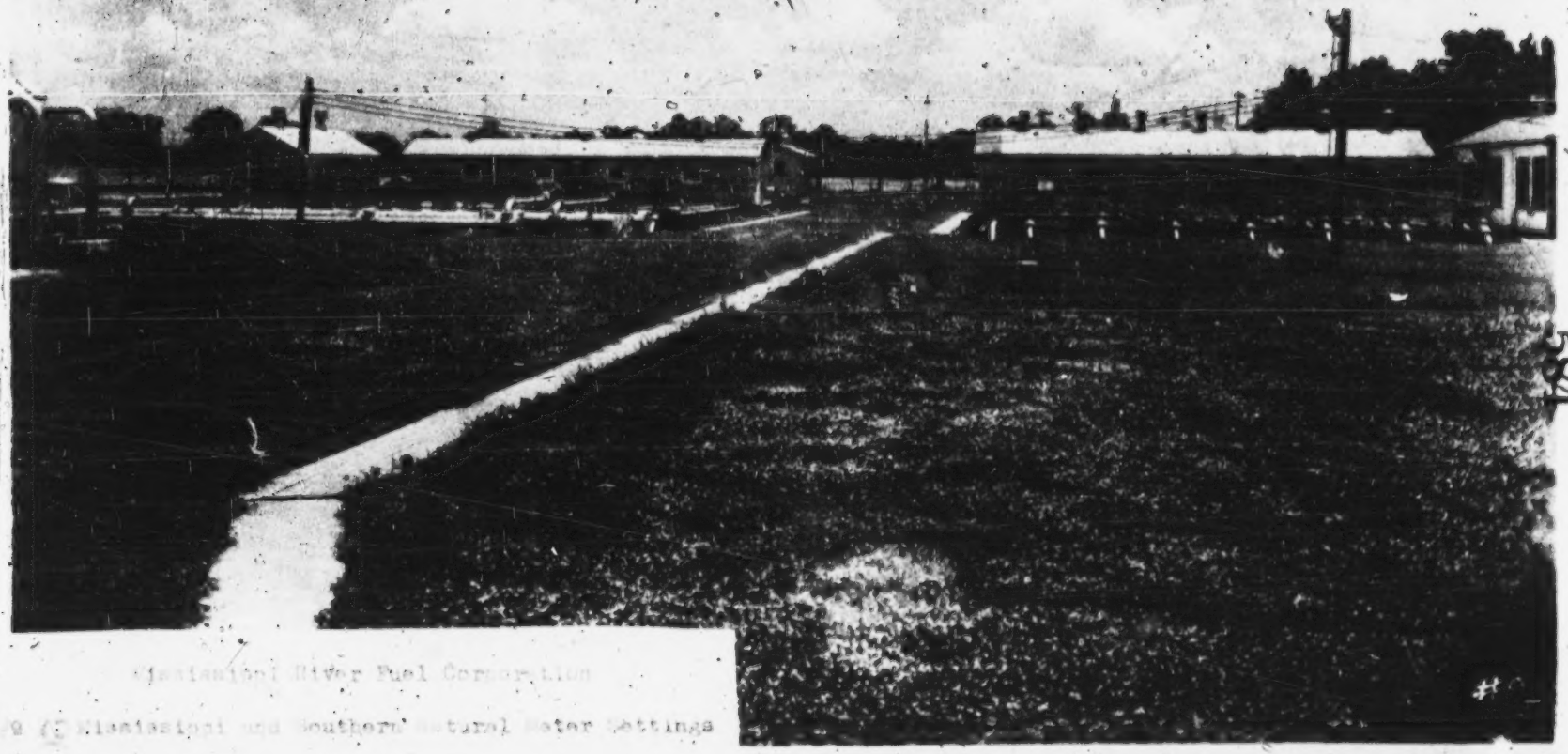

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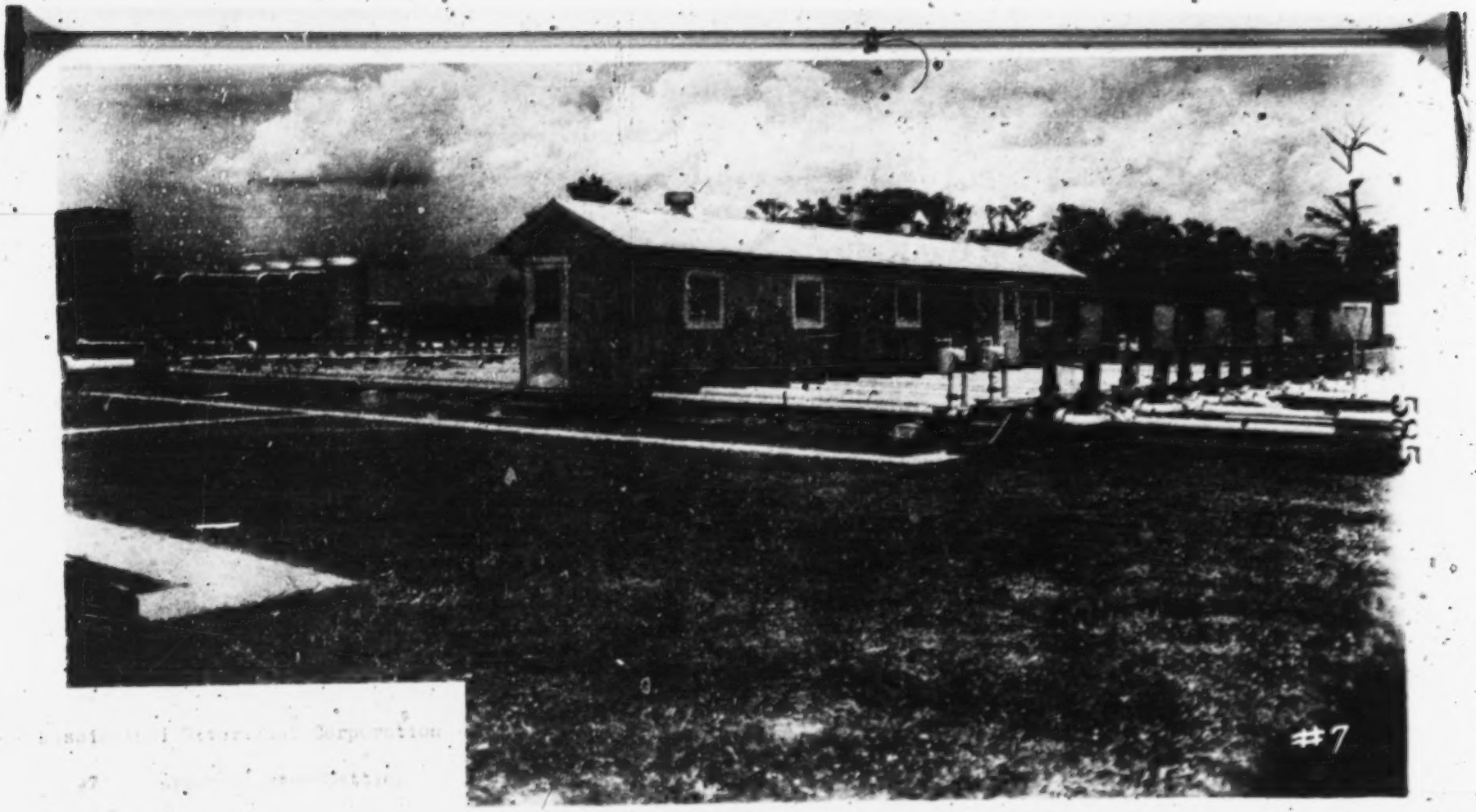
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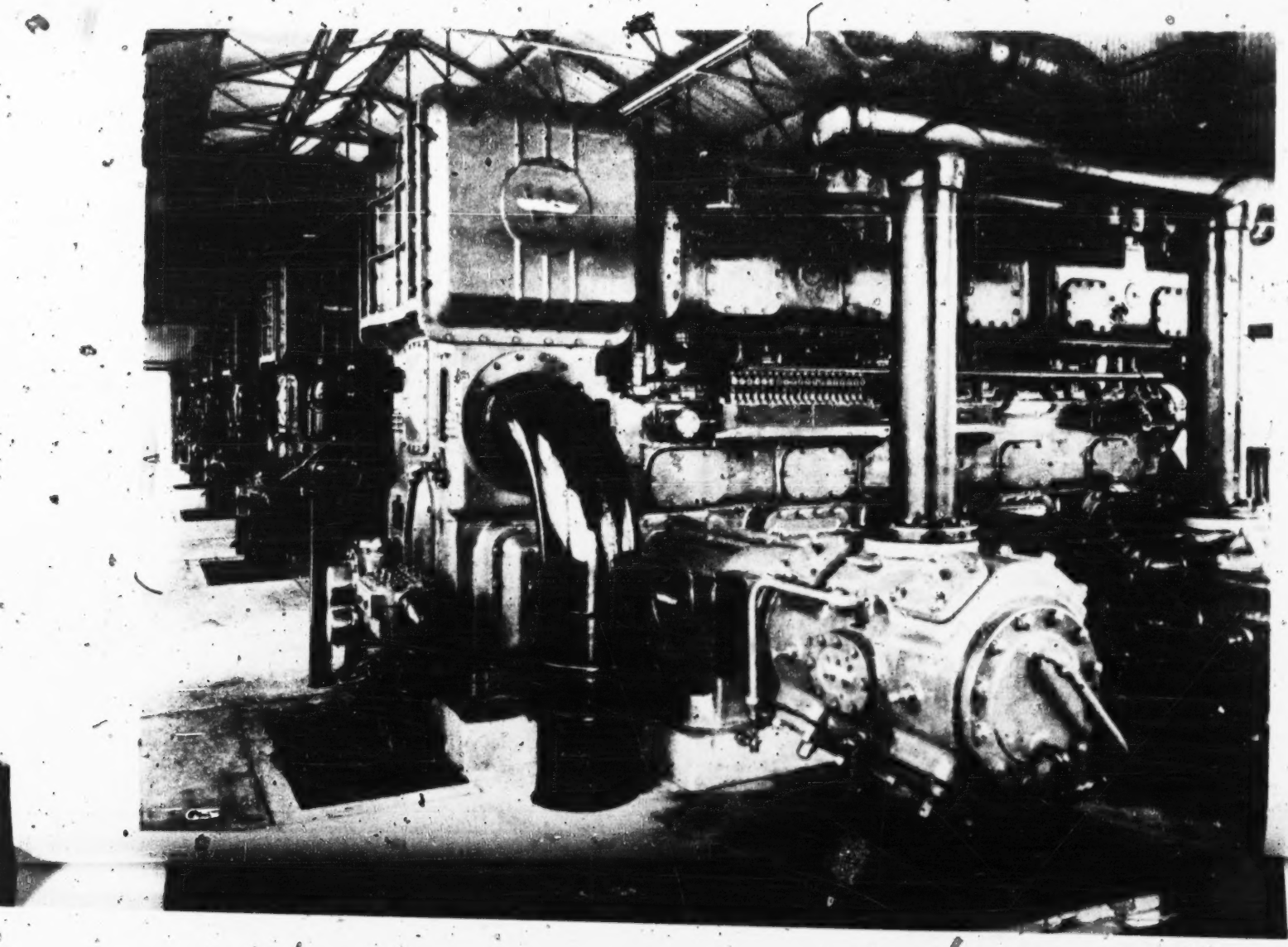

Mississippi River Fuel Corporation

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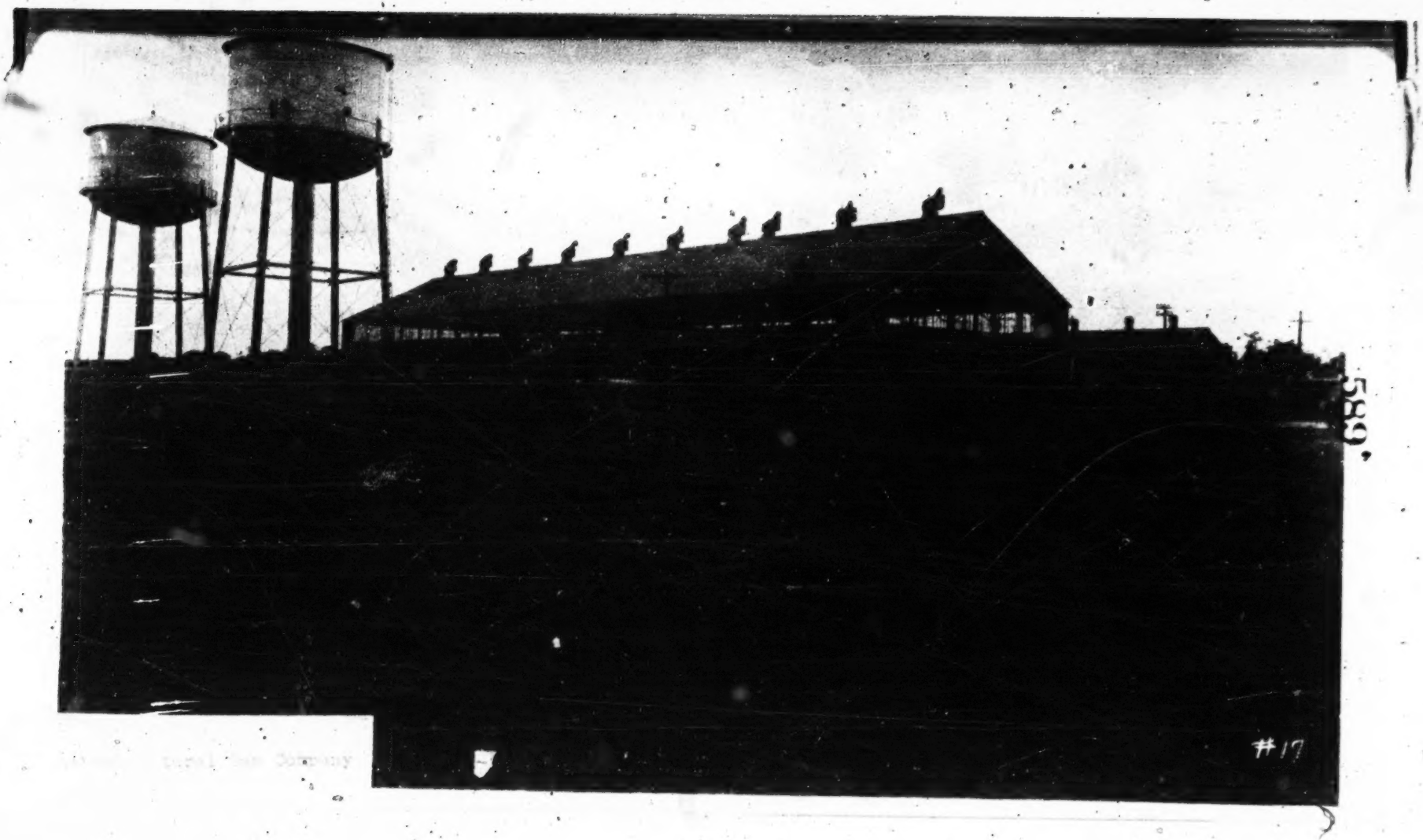

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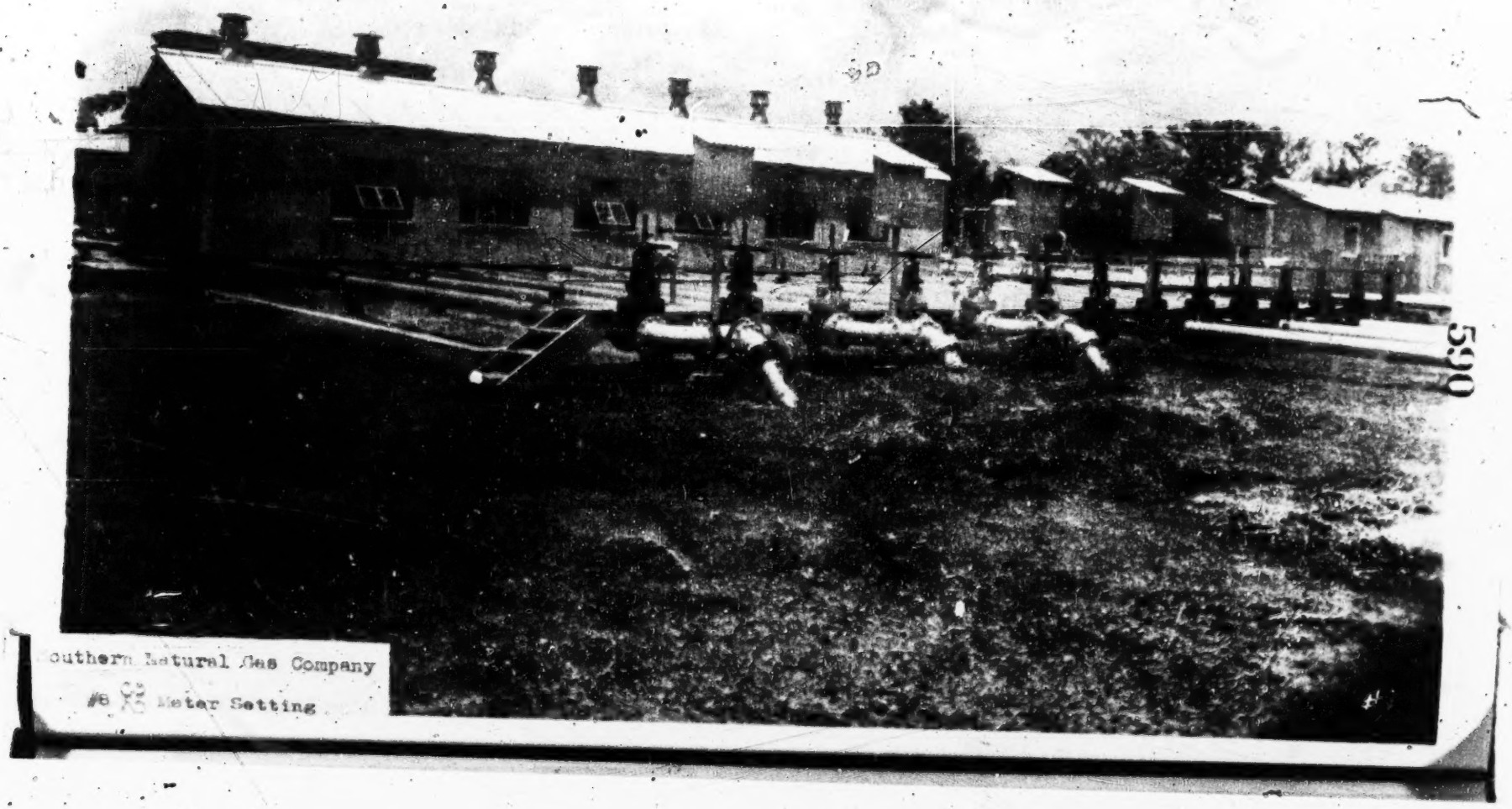

Southern Natural Gas Company

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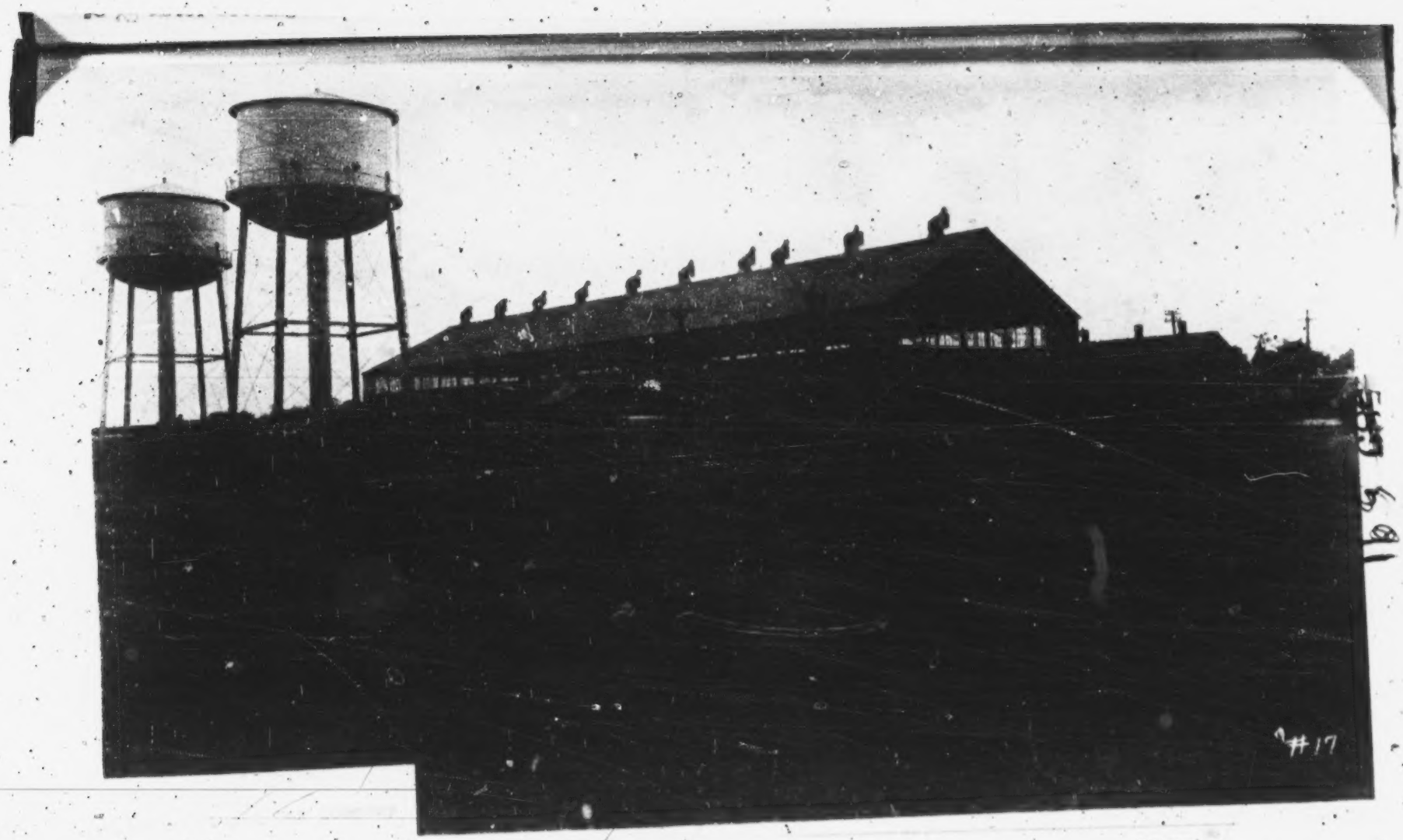
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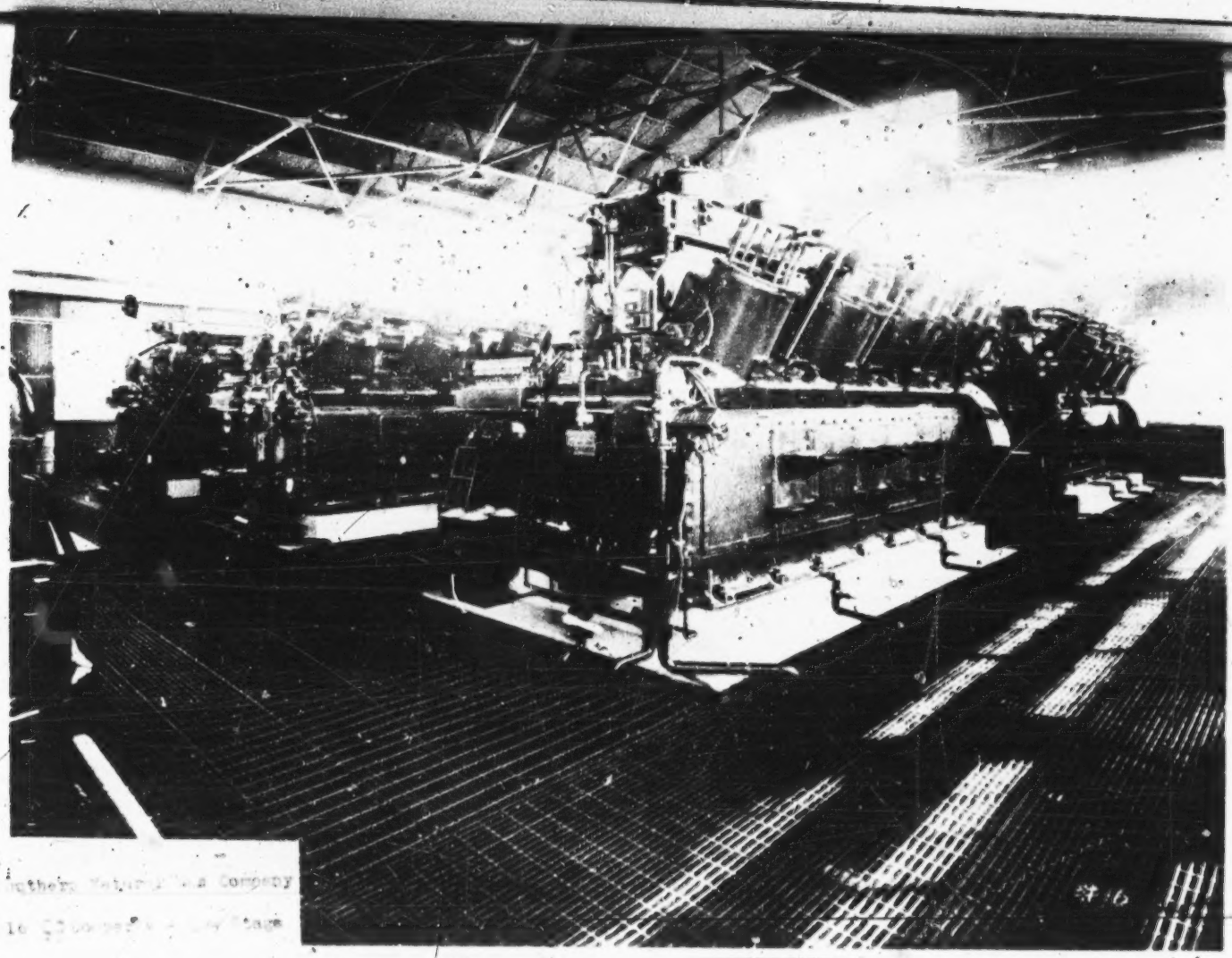

Southern Natural Gas Company

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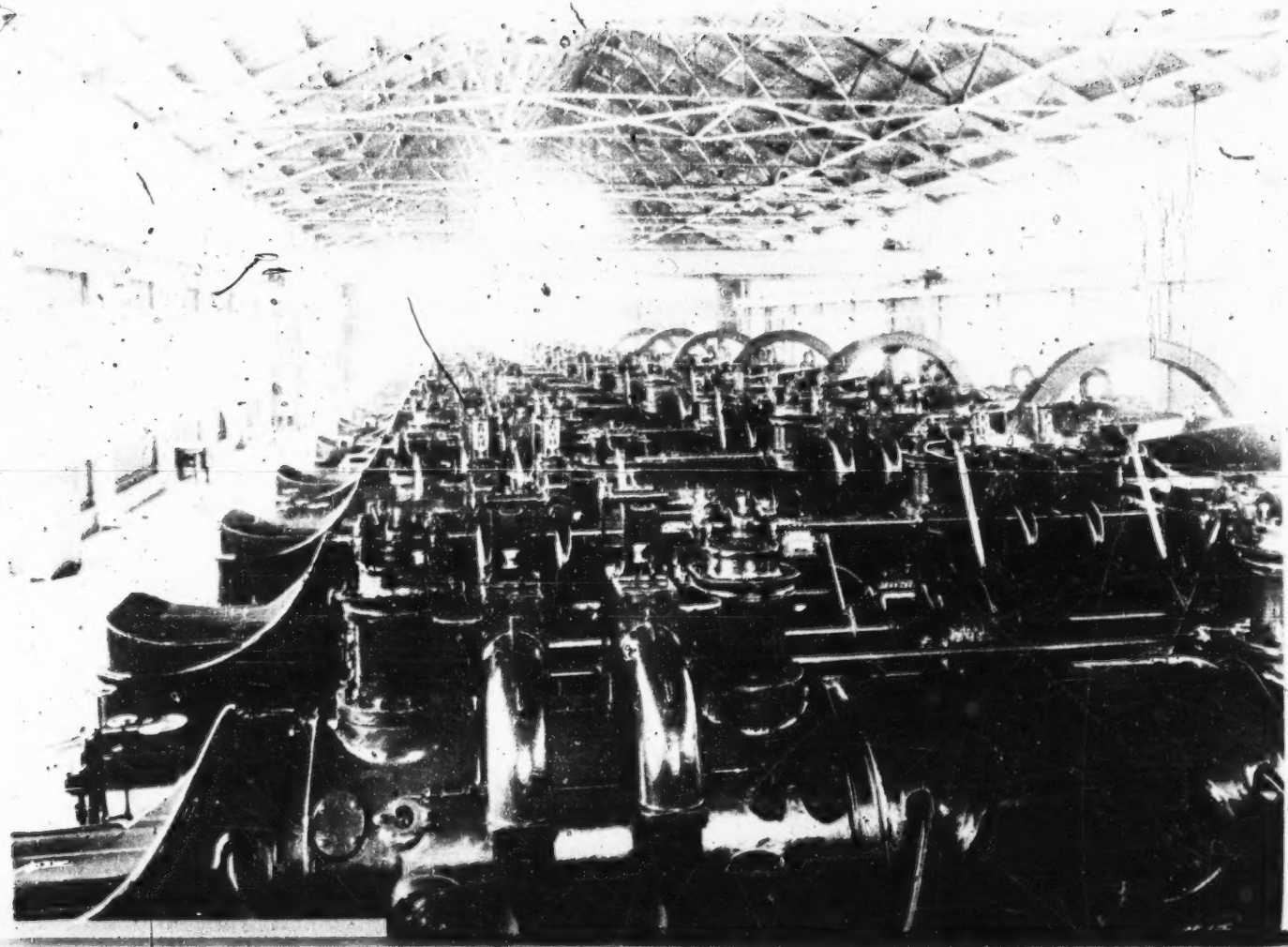

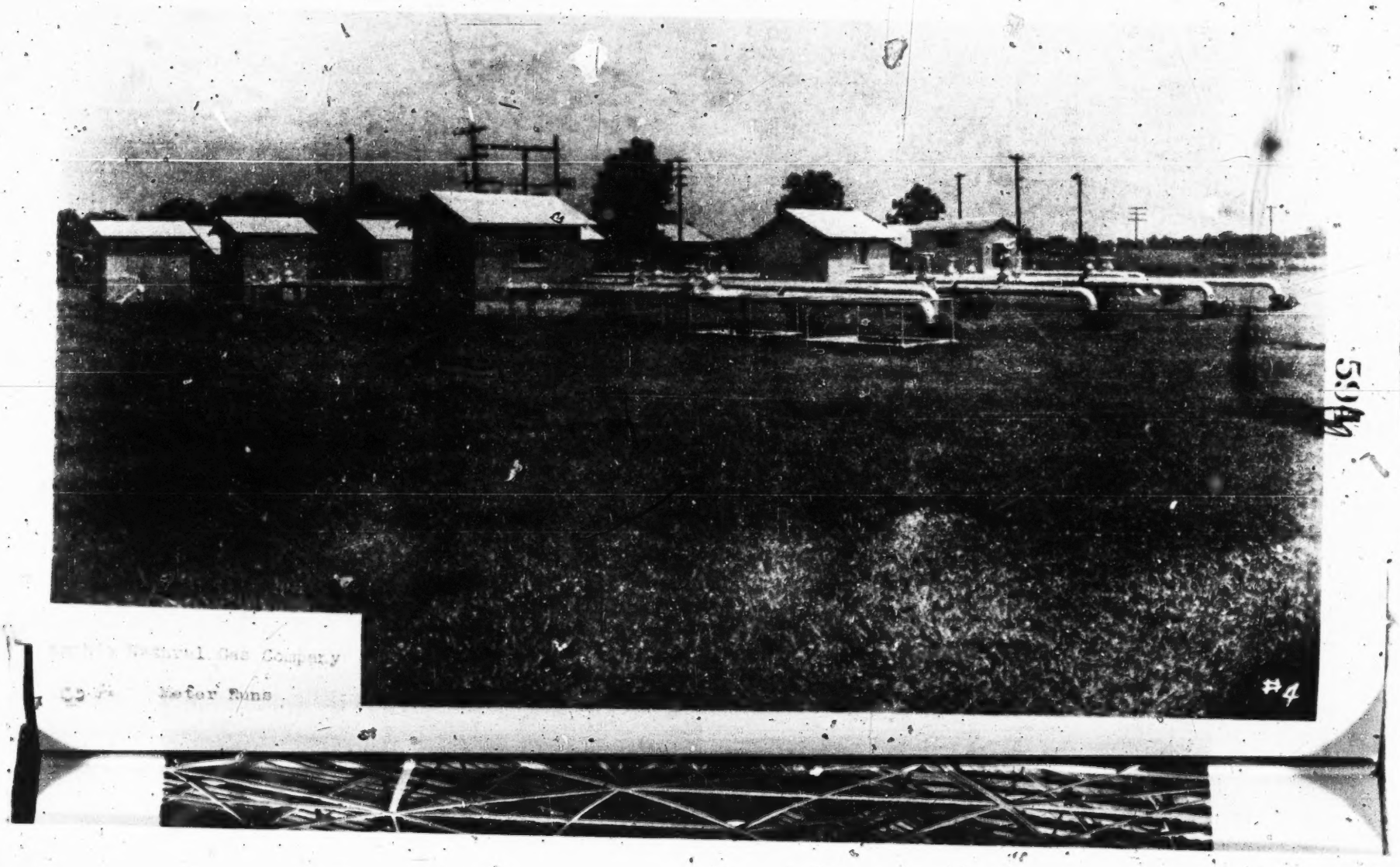
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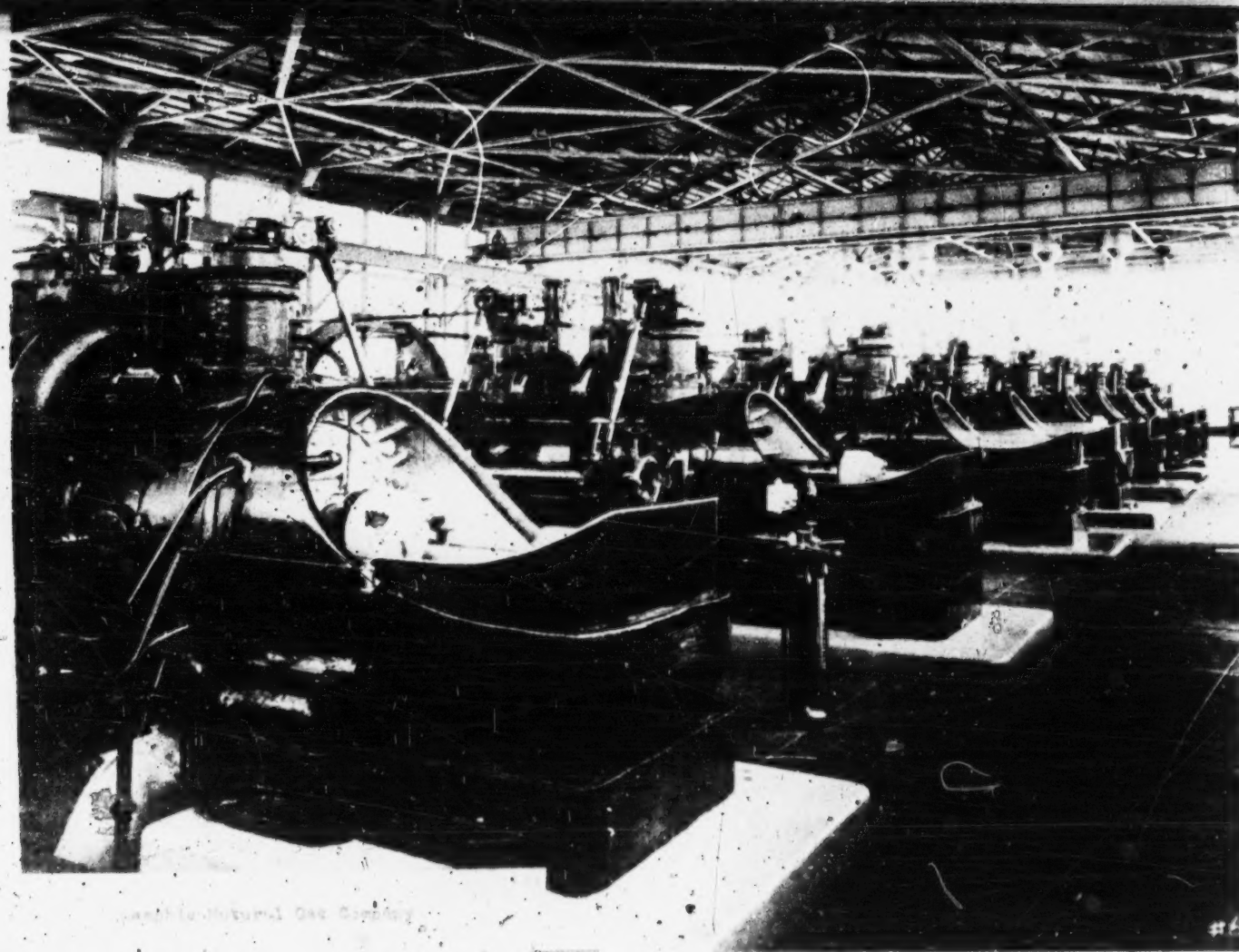

Lamphie Natural Gas Company

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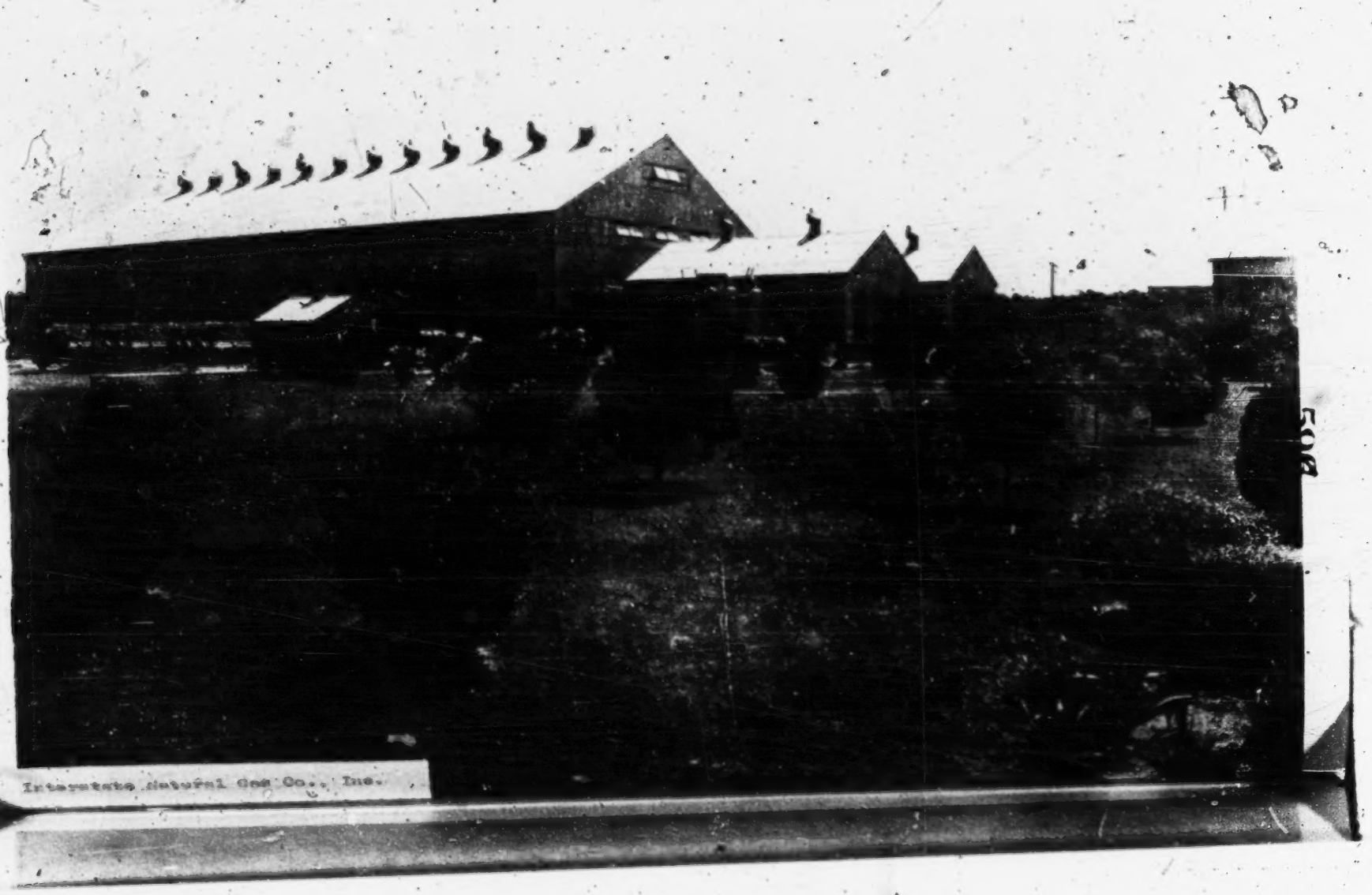
Interstate Natural Gas Co., Inc.

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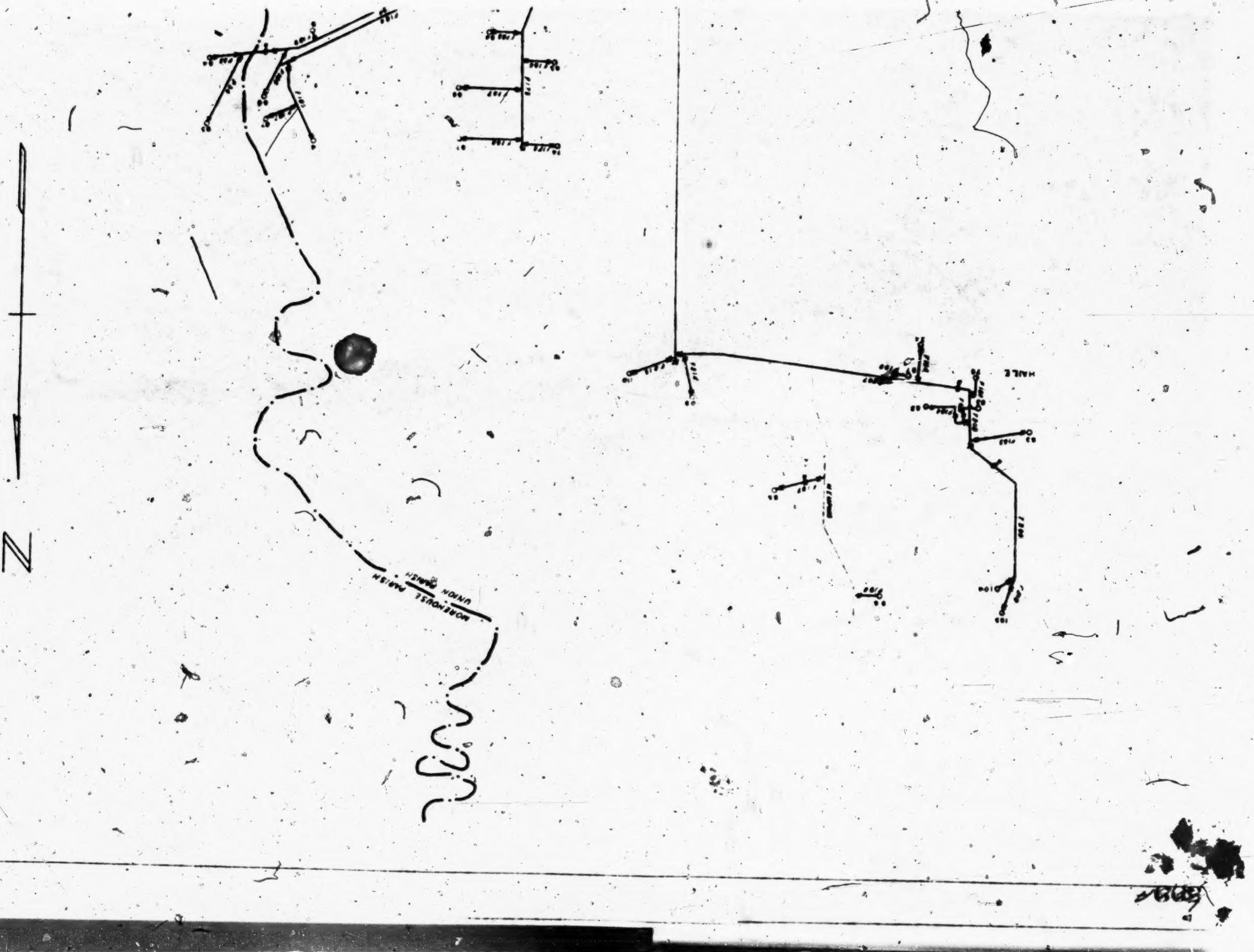
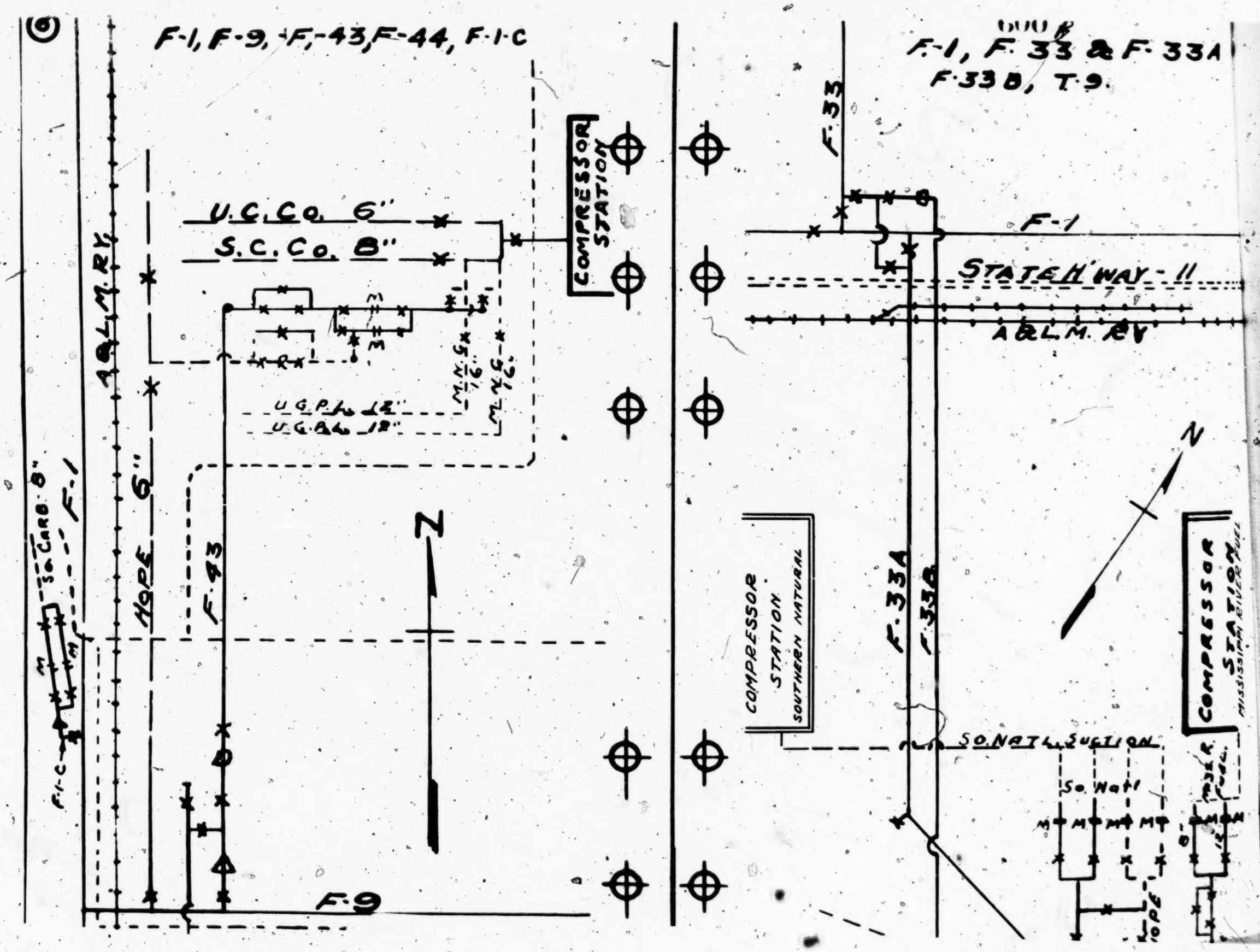
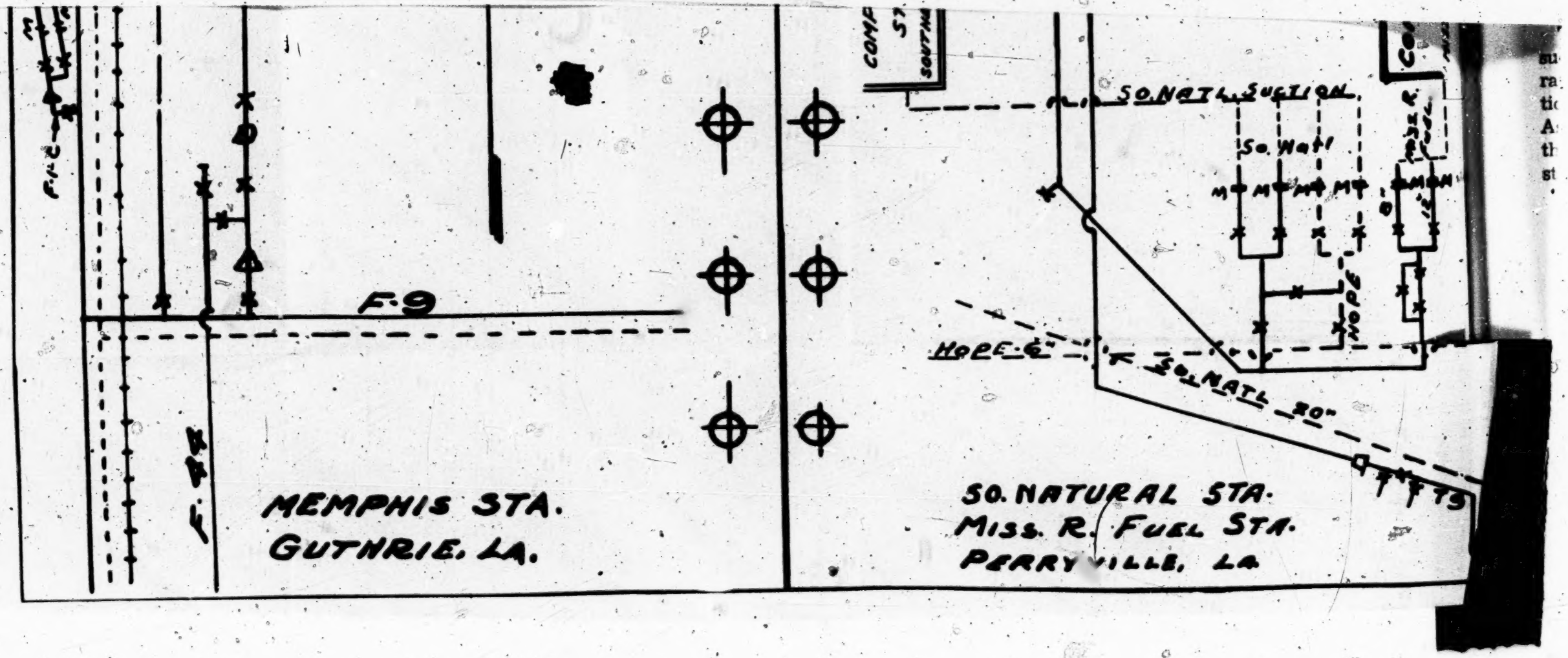

N
WOREHOUSE PARISH
UNION PARISH



F-1, F-9, F-43, F-44, F-1-C
U.C.Co. 6"
S.C.Co. 8"
COMPRESSOR STATION
A&L.M. RY.
U.G.P.L. 12"
U.G.P.L. 12"
M.N.G. 16"
M.N.G. 16"
HOPE 6"
F-43
F-1
So. CARB. 8"
F-1-C
F-9
N
F-1, F-33 & F-33A
F-33B, T-9.
F-33
F-1
STATE H'WAY - 11
A&L.M. RY
COMPRESSOR STATION SOUTHERN NATURAL
F-33A
F-33B
SO. NAT'L. SUCTION
So. Nat'l
COMPRESSOR STATION MISSISSIPPI RIVER FUEL


F-9
MEMPHIS STA.
GUTHRIE. LA.
SO. NATURAL SUCTION
SO. NATURAL 20"
SO. NATURAL STA.
MISS. R. FUEL STA.
PERRYVILLE, LA

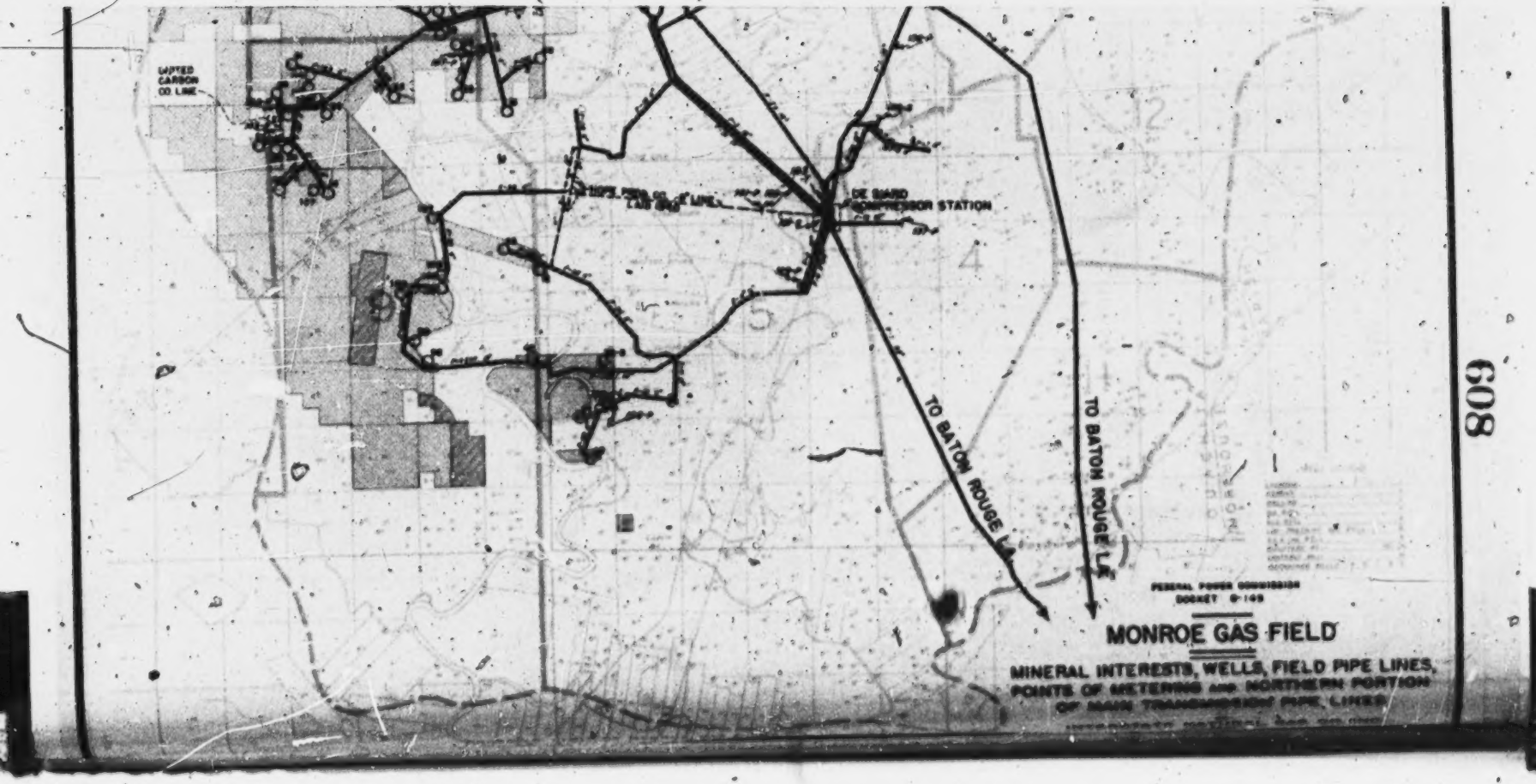

LIFTED CARBON CO LINE
DE SOTO COMPRESSOR STATION
TO BATON ROUGE LA.
TO BATON ROUGE LA.
FEDERAL POWER COMMISSION
DOCKET G-149
MONROE GAS FIELD
MINERAL INTERESTS, WELLS, FIELD PIPE LINES,
POINTS OF METERING and NORTHERN PORTION
OF MAIN TRANSMISSION PIPE LINES

EXHIBIT No. 49.

Federal Power Commission.

Washington, D. C.

G-149.

Interstate Natural Gas Co., Inc.

Properties and Operations

of the

Interstate Natural Gas Co., Inc.

Federal Power Commission, Docket No. ..... Exhibit No. 49 (for Identification). Date Identified 6/19/42.

Witness: Paul C. White.

Federal Power Commission. Docket No. G-132 et al. Hearing Ex. No. 49. 6/19/42.

Docket G-149.

Interstate Natural Gas Co., Inc.

The Commission, under date of December 5, 1939, issued an order of investigation into and concerning all rates, charges, classifications, rules, regulations, practices, or contracts of Interstate Natural Gas Co., Inc. As a result thereof, and pursuant to instructions from the Commission a statement of the operations of Interstate Natural Gas Co., Inc. has been made for the pur-

pose of setting forth the pertinent facts concerning matters involved in this investigation by the Commission.

PAUL C. WHITE,
Witness.

Approved:
H. KINDER,
Chief, Division of Rates and Research.
CHAS. D. SMITH,
Chief, Bureau of Accounts, Finance and Rates.

Docket G-149.

Interstate Natural Gas Co, Inc.

Contents.

Description	Page
General Statement	1
Map of Monroe Gas Field	4
Wells and Field Pipe Lines	6
Field Operations	7
Map of Main Transmission Pipe Lines	13
Compressor Stations	15
Main Transmission Pipe Line	16
Flow Diagrams	23
Calendar Year 1931	23
Coincidental Maximum Demand Day Jan. 8, 1942	25
Calendar Year 1940	26
Coincidental Maximum Demand Day November 15, 1940	27
Calendar Year 1939	28
Gas Balance	29
Schedule I—Gas Balance—Gas Received and Gas Delivered	32
Schedule II—Gas Produced by I. N. G. Co., Inc. in Monroe Gas Field	33-35

Schedule III—Gas Received through Purchase and Exchange in Monroe Gas Field 36
Schedule IV—Gas Received for Transportation from Monroe Gas Field 36
Schedule V—Gas Received Through Purchase from Richland Gas Field 37
Schedule VI—Gas Received for Transportation and Exchange from Richland Gas Field 37
Schedule VII—Gas Received Through Purchase from other Fields 38
Schedule VIII—Gas Received from United Gas Pipe Line Co. System Between Baton Rouge and Destrehan, La. 39
Schedule IX—Gas Delivered: Monroe Gas Field 40
Schedule X—Gas Delivered from Main Transmission Line—Monroe Gas Field to Baton Rouge, La. 41
Schedule XI—Gas Delivered from Gas Received from Fields South of Baton Rouge, La. 42
Schedule XII—Gas Delivered from Gas Received from United Gas Pipe Line Co., System between Baton Rouge and Destrehan, La. 43
Demand Analysis 44
Schedule XIII—Summary—Gas Delivered on Coincidental Maximum Demand Days 45
Schedule XIV—Gas Delivered in Monroe Gas Field 46
Schedule XV—Gas Delivered from Main Transmission Line—Monroe Gas Field to Baton Rouge, La. 47
Schedule XVI—Gas Delivered from Gas Received from Fields South of Baton Rouge, La. 48
Schedule XVII—Gas Delivered to I. N. G. Co., Inc. Customers from United Gas Pipe Line Co. System Between Baton Rouge, and Destrehan, La. 49

Docket G-149.

Wells and Field Pipe Lines.

As of December 31, 1941, the Interstate company owned 110 wells in the Monroe Gas Field. As of that date one well was of such low pressure that it had not fed into the field pipe lines for a period of four years. Three wells were connected into the field pipe lines of Southern Carbon Company in the Monroe Gas Field. Two wells were connected into the field pipe lines of Southwest Gas Producing Company, a subsidiary of Memphis Natural Gas Company, and two wells were connected into the field pipe lines of Hope Producing Company for redelivery into Interstate Natural Gas Company's field pipe lines.

Exclusive of the above-mentioned eight wells, the remainder of the wells was connected to the Interstate company's integrated field pipe lines which are operated as five pipe line units: one, a high pressure unit, operating at approximately 360 pounds per square inch; and the other four are low pressure units operating at approximately 110, 145, 165, and 220 pounds per square inch. Seventy of the Interstate company's wells are connected to the four low pressure pipe line units which deliver gas to the De Siard Compressor Station. Thirty-two of the company's wells are connected to the high pressure unit which delivers gas directly without compression or regulation into Pipe Line T-9 (16" diam.) near Perryville, Louisiana. Line T-9 (16" diam.) delivers gas without compression in Line T-1 (22" diam.) at a point near Alto, Louisiana, some 18 miles from the De Siard Compressor Station.

The Interstate company purchases gas from operators in the Monroe Gas Field at the well head and at central

Docket G-149.

General Statement.

The purpose of this exhibit is to describe the property and operations of the Interstate Natural Gas Company, Inc.

The Interstate Natural Gas Company, Inc. is a natural gas company which operates in the States of Louisiana and Mississippi. The Interstate company owns and operates 110 gas wells in the Monroe Gas Field and gathers this gas in the field and transports it from the said Monroe Gas Field, located in northeast Louisiana, through a 22-inch transmission pipe line (looped), into the State of Mississippi and back into the State of Louisiana to Baton Rouge, Louisiana.

While transporting this gas from the Monroe Gas Field to Baton Rouge, Louisiana, the Interstate company sells gas directly to industrial customers and to distribution companies for resale to domestic, commercial, and industrial customers in the State of Louisiana between the Monroe Gas Field and the State of Mississippi, in the State of Mississippi, and in the State of Louisiana after the gas has been transported through the State of Mississippi.

The Interstate company delivers gas to the United Gas Pipe Line Company at Baton Rouge, Louisiana, and the United Gas Pipe Line Company transports this gas to New Orleans, Louisiana, and en route delivers gas to customers of the Interstate company along its main transmission pipe line between Baton Rouge and Destrehan, Louisiana. These sales of the Interstate company between Baton Rouge and Destrehan, Louisiana,

points along its own field pipe lines. It also sells gas in the Monroe Field from its integrated pipe lines to three pipe line companies.

During the year 1941, the company purchased in the Monroe Field almost as much gas as it produced in the same field, and its deliveries to the three pipe line companies in the Monroe Field almost equaled the amount of gas which was purchased in that field.

The Interstate company's field pipe lines are dendritic in pattern, taking gas from wells through 4-inch pipe lines which deliver the gas into trunk lines of greater diameter, which in turn deliver the gas to the company's De Siard Compressor Station, to Line T-9, and to the three pipe line companies.

Docket G-149.

Field Operations.

The gas balance and demand analysis reflect operations of the Interstate company on a physical basis and all volumes of gas shown represent total volumes at each point of metering without regard to contractual volumes at points of receipt and delivery.

In Monroe Gas Field the Interstate company receives and delivers a considerable volume of gas on an exchange basis. The volumes of gas shown in these analyses adjusted for exchange gas result in the volumes used by the Interstate company for billing purposes.

Gas is received from the Hope Producing Company and Southern Carbon Company on an exchange basis in

are sales directly to industrial customers and to distribution companies for resale for domestic consumption and industrial customers.

The Interstate company sells natural gas to the Mississippi River Fuel Corporation, Memphis Natural Gas Company, and Southern Natural Gas Company at various points which are described in detail hereinafter. These companies are natural gas pipe line companies that transport gas in interstate commerce and sell gas directly to customers and to distribution companies for resale to domestic, commercial, and industrial customers outside the State of Louisiana.

The Interstate company purchases natural gas from gas producers in the University, La Pice, and La Place Fields, which are located south of Baton Rouge, Louisiana, and delivers this gas into the main transmission pipe line system of the United Gas Pipe Line Company between Baton Rouge and New Orleans, Louisiana.

The Interstate company and the United Gas Pipe Line Company jointly purchase gas from gas producers in the Lirette, Lake Long, Du Large, and Raceland Fields and transport this gas through a jointly owned and operated transmission pipe line system to the main transmission pipe line owned by the United Gas Pipe Line Company between Baton Rouge and New Orleans, Louisiana.

The Interstate company and the United Gas Pipe Line Company jointly purchase gas from gas producers in the La Fitte Field and transport this gas through a jointly operated and jointly leased pipe line from the La Fitte Field to Marrero, Louisiana, which is in the environs of New Orleans, Louisiana.

accordance with contractual agreements between the Interstate company and these companies.

The Interstate company produces gas from its Wells Nos. 102 and 103 into Line F-39 (4" diam.) which delivers gas into a field line owned by Hope Producing Company. Hope Producing Company also produces gas from its own wells into this same field line. The Hope company delivers all gas received into this pipe line to the Interstate company at De Siard Compressor Station. This gas is metered at the Cole Meter Station (160-P and 161-P). By oral agreement the gas received at Cole Meter Station is accounted for as (1) Interstate company gas produced by Wells 102 and 103, (2) gas purchased by Interstate company from Hope Producing Company, and (3) gas received by Interstate company for delivery to Southern Natural Gas Company, Mississippi River Fuel Corporation, and Memphis Natural Gas Company for the account of Hope Producing Company.

The gas delivered to Interstate company at Cole Meter Station is low pressure gas and is commingled with other Monroe Field gas at De Siard Compressor Station. At De Siard Compressor Station this gas may be compressed and discharged into Transmission Line T-1 (22" diam.) or it may be by-passed uncompressed through Line F-1 (16" diam.) and delivered to Southern Natural Gas Company at the inlet side of its Perryville Compressor Station and to Mississippi River Fuel Corporation at the inlet side of its Perryville Compressor Station, or it may be delivered by way of Lines F-44 (12" diam.) and F-43 (8" diam.) to the Memphis Natural gas Company at its Guthrie Compressor Station.

The following tabulation shows this distribution for the calendar year 1941:

The Interstate company owns one compressor station (De Siard Station) in the Monroe Gas Field which compresses low pressure gas which the Interstate company produces and purchases in the Monroe Field and transports from the field through pipe line T-1. It also owns another compressor station (Brock Station) located approximately halfway between the Monroe Gas Field and Baton Rouge, Louisiana. This compressor station compresses gas when the load on the system requires it.

The load center of the main transmission pipe line (T-1) of the Interstate company is in the environs of Baton Rouge, Louisiana, where large sales to industrial customers and deliveries are made to the United Gas Pipe Line Company.

To illustrate these operations, I have had prepared under my direction the following data:

(a) A schematic map showing the pipe lines of the Interstate company in the Monroe Gas Field and all points where gas is received and delivered.

(b) A schematic map of the main transmission pipe line (T-1) of the Interstate company, showing points where gas is received and delivered.

(c) Flow diagrams based upon annual gas deliveries by the Interstate company during the calendar years 1939, 1940, and 1941.

(d) Flow diagrams based upon gas deliveries on the coincidental maximum demand days, November 15, 1940 and January 8, 1942.

Meter Point	Location	MCF 1941	Remarks
Hope Producing Co. (Press. Base: 14.4 Lbs. Atmos. plus 10 Oz)			
160-P 161-P	Hope Producing Co. Cole Meter Station	4,262,048	Gross delivery to I. N. G. Co.
101	I. N. G. Co. Well No. 102	(187,054)	I. N. G. Co. Production.
102	I. N. G. Co. Well No. 103	(198,259)	I. N. G. Co. Production.
161-P	Hope Producing Co. Cole Meter Station	(1,107,757)	Gas Purchased by I. N. G. Co. from H. P. Co.
160-P	Hope Producing Co. Cole Meter Station	(2,768,978)	Gas received by I. N. G. Co. under Exchange agreement.
Total		—0—	
160-P	Fairbanks Wells During M. R. F. Corp Line Break	760	Gas received by I. N. G. Co. for Exchange.
Exchange Deliveries by I. N. G. Co. for Hope Producing Co. (Press. Base: 14.4 Lbs. Atmos. plus 10 Oz.)			
160-P	Hope Producing Co. Cole Meter Station.	2,769,738	Gas received by I. N. G. Co. under Exchange agreement.
176-S	Southern Nat. Gas Co. Perryville Comp. Station.	(2,164,280)	Gas delivered by I. G. Co. for Hope Producing Co.
177-S	Miss. River Fuel Corp. Perryville Comp. Station.	(2,809)	Gas delivered by I. N. G. Co. for Hope Producing Co.
178-S	Memphis Nat. Gas Co. Guthrie Comp. Station.	(602,652)	Gas delivered by I. N. G. Co. for Hope Producing Co.
Total		(3)	Difference due to conversion to uniform pressure base.

612

613

(e) A gas balance showing the annual volumes of gas received and delivered by the company, and the indicated loss or gain from 1926 through 1941.

(f) A coincidental maximum 24-hour demand analysis of the gas delivered by the Interstate company on system peak days experienced by the company from 1935 through 1941.

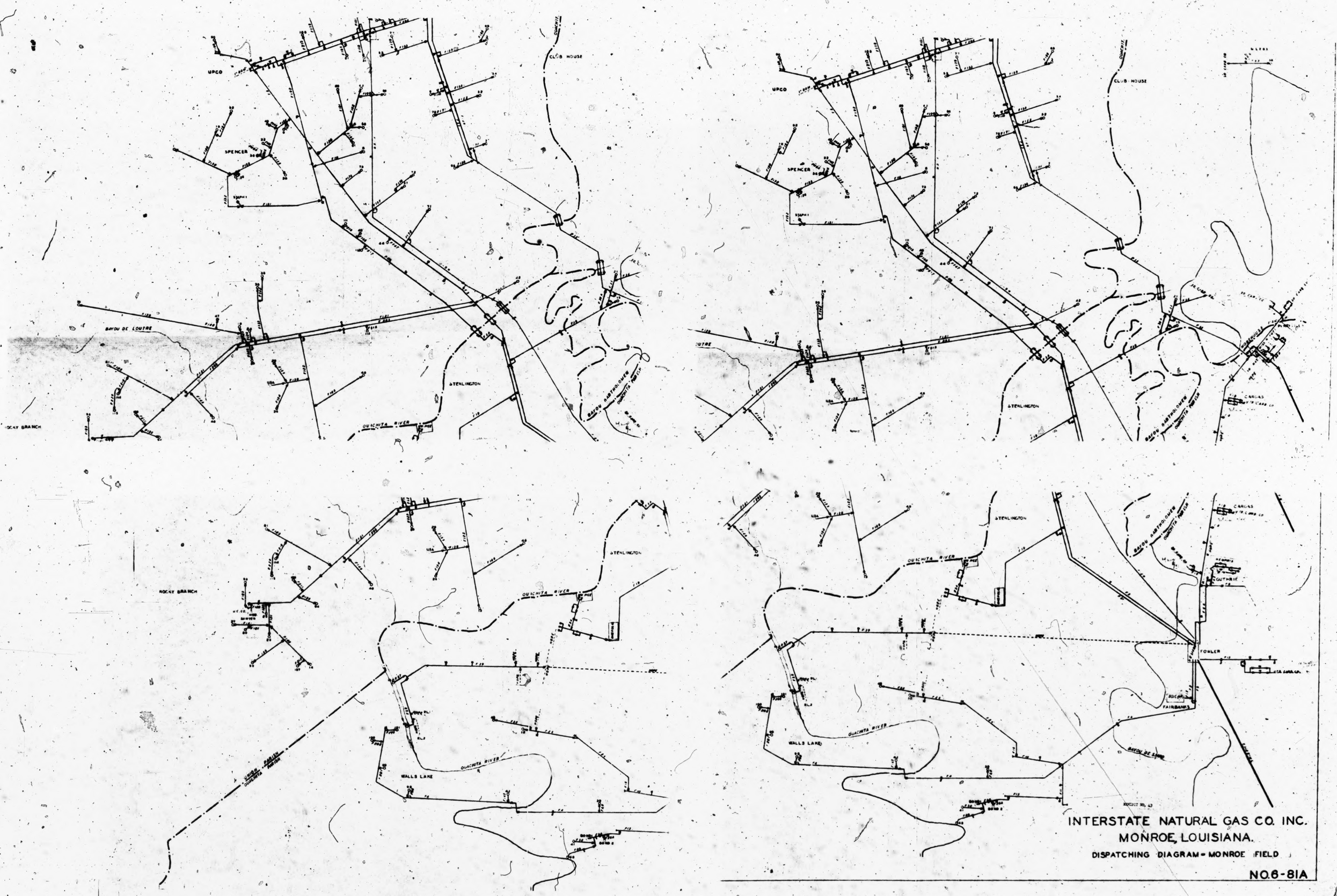
Docket G-149.

Map of Monroe Gas Field Showing Mineral Interests, Wells, Field Pipe Lines, Points of Metering, and Northern Portion of Main Transmission Pipe Lines of Interstate Natural Gas Company, Inc. as of December 31, 1941.

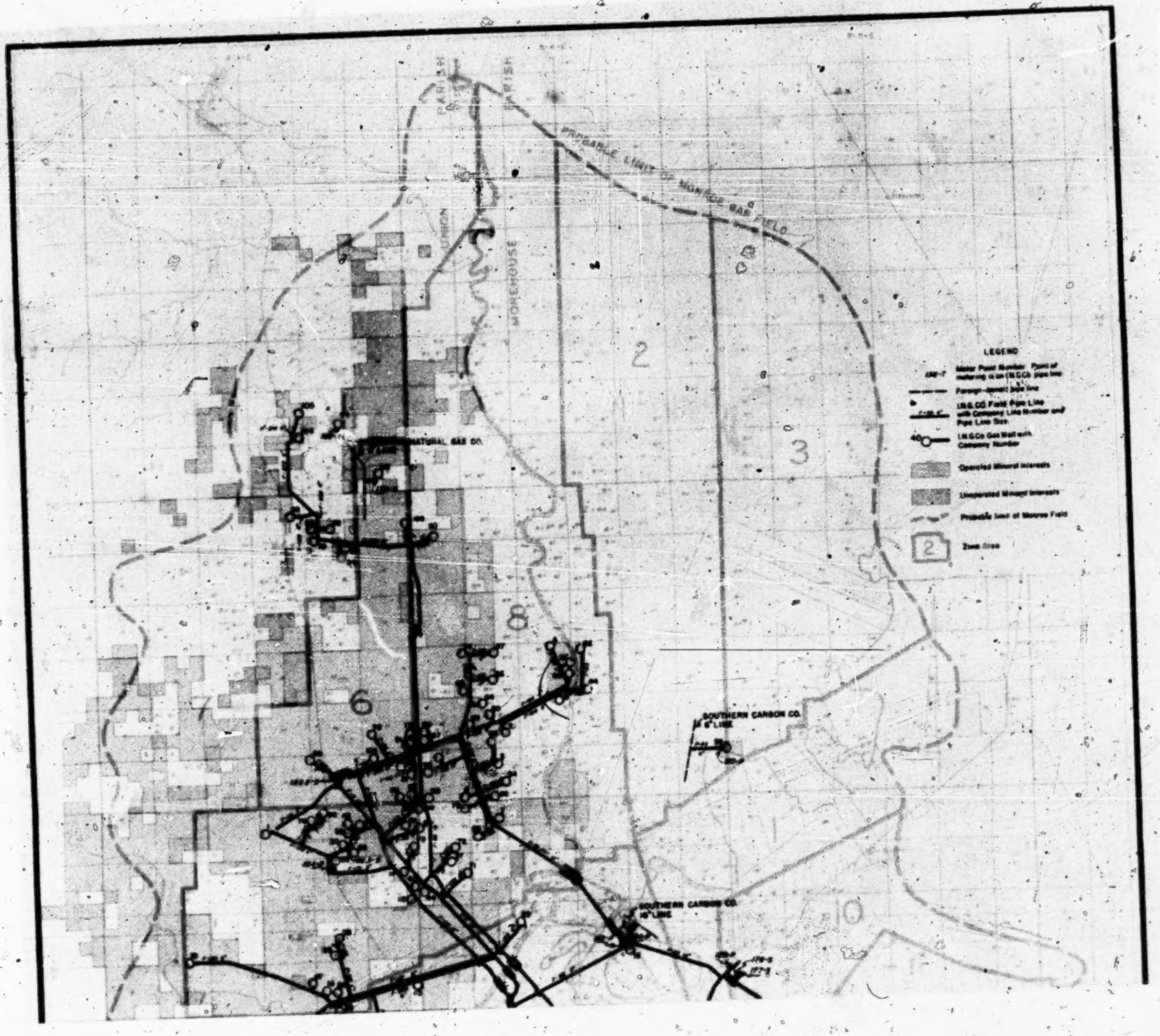
This map shows the field pipe lines of the Interstate company in the Monroe Gas Field, the interconnections within the field which, together with its main transmission pipe line extending to Baton Rouge, Louisiana, make it an integrated system.

All metering points on this map are designated either by Interstate company well number or by a metering point number which correspondes to the numbers used in the gas balance, and demand analysis.

It will also be noted that for each pipe line there is shown the company designation and the nominal pipe diameter. Also shown on this map is the location of the De Siard Compressor Station at Fowler, Louisiana, and the Lines T-1 and T-9 insofar as the limits of the map will allow. All pipe lines and wells were plotted on this map from maps furnished by the Interstate company.



INTERSTATE NATURAL GAS CO. INC.
MONROE, LOUISIANA.
DISPATCHING DIAGRAM - MONROE FIELD
NO.6-81A


PROBABLE LIMIT OF MONROE GAS FIELD
CARROLL
UNION
MOREHOUSE
NATURAL GAS CO.
SOUTHERN CARBON CO.
SOUTHERN CARBON CO.
LEGEND
Operated Mineral Interests
Unoperated Mineral Interests
Probable Limit of Monroe Field
Zone Area
1
2
3
5
6
7
8
10

The Interstate company produces gas from its Wells Nos. 15, 21, and 56 into field pipe lines owned by the Southern Carbon Company on an exchange basis. Southern Carbon Company also produces gas into its field pipe lines and delivers gas to the Interstate company at the Fairbanks Meter Station (129-P), Guthrie Meter Station (130-P), and Perryville No. 2 Meter Station (128-P).

The gas delivered to the Interstate company at the Fairbanks Meter Station (129-P) is considered to include exchange gas produced by Interstate's own wells and gas for sale to Interstate company. Gas received by the Interstate company at Fairbanks Meter Station is of low pressure and is delivered to the De Siard Compressor Station through pipe line F-2 (12" diam.) at 100 to 120 p. s. i. where the gas is compressed and discharged into Line T-1 (22" diam.). Approximately one-half of this gas is compressed by Southern Carbon Company's Fairbanks Compressor Station, located approximately one mile from De Siard Compressor Station, before delivery to Fairbanks Meter Station.

Southern Carbon Company delivers gas for sale to the Interstate company at Perryville No. 2 Meter Station (128-P) into Line F-1-A. Gas delivered into Line F-1-A (12" diam.) at this point normally flows south to the Southern Natural Gas Company and Mississippi River Fuel Corporation at their Perryville Compressor Stations. It is possible for gas received by the Interstate company into Line F-1-A (12" diam.) to continue its flow south to De Siard Compressor Station through Line F-1 (16" diam.), depending upon pressure differential at De Siard and Perryville.

The following tabulation shows exchange gas and gas sold to the Interstate company during the calendar year 1941 by Southern Carbon Company:

Southern Carbon Co.

(Press. Base: 14.4 Lbs. Atmos. plus 10 Oz.)

129-P	Southern Carbon Co. Fairbanks Meter Station.	7,619,388	Gross delivery to I. N. G. Co.
128-P	Southern Carbon Co. Perryville No. 2 Meter Station.	4,304,363	Gross delivery to I. N. G. Co.
14	*I. N. G. Co. Well No. 15	(98,808)	I. N. G. Co. Production.
20	*I. N. G. Co. Well No. 21	(116,338)	I. N. G. Co. Production.
55	*I. N. G. Co. Well No. 56	(76,686)	I. N. G. Co. Production.
	Total	11,631,919	Gas Purchased by I. N. G. Co.

* These wells produce gas into the field pipe lines of Southern Carbon Co.

The United Carbon Company sells gas to the Interstate company in the Monroe Gas Field at F-1 Meter Station (136-P), F-13 Meter Station (137-P) and Rabun No. 2 Well (145-P).

United Carbon Company delivers gas for sale directly into Line F-1 (16" diam.) at F-1 Meter Station (136-P). This gas is commingled with other Monroe Gas Field gas and normally flows north with the Interstate company's deliveries to Southern Natural Gas Company and Mississippi River Fuel Corporation at the Perryville Compressor Stations. It is possible for gas received by the Interstate company at F-1 Meter station to flow south to De Siard Compressor Station, depending upon the pressure differential at De Siard and Perryville.

At F-13 Meter Station, United Carbon Company delivers gas for sale into Interstate company's Line F-13 (12" diam.). This gas flows west to the De Siard Compressor Station where it is commingled with other Monroe Gas Field gas. At De Siard Compressor Station it may be compressed and discharged into Line T-1 (22" diam.) or it may be by-passed uncompressed into Line F-1 (16" diam.) for delivery to Southern Natural Gas Company and Mississippi River Fuel Corporation at their Perryville Compressor Stations, or it may be by-passed uncompressed at De Siard Compressor Station into Lines F-44 (12" diam.) and F-43 (8" diam.) for delivery to Memphis Natural Gas Company at its Guthrie Compressor Station.

United Carbon Company's third delivery to the Interstate company is at its Rabun No. 2 well (145-P) which is located on the west side of the Monroe Gas Field in

Sec. 32, T. 20 N. R. 3 E. The gas is metered at the Rabun No. 2 Well and transported through a United Carbon Company pipe line for a distance of approximately *one-fourth* mile where it is delivered into the Interstate company's field line.

The following tabulation shows the total amount of gas delivered by United Carbon Company to the Interstate company during the year 1941 with adjustments for exchange gas:

Meter Point	Location	MCF 1941	Remarks
United Carbon Co.			
	(Press. Base: 14.4 Lbs. Atmos. plus 10 Oz.)		
136-P	United Carbon Co. ..... F-1 Meter Station.	3,327,492	Gross delivery to I. N. G. Co.
137-P	Union Carbon Co. ..... F-13 Meter Station.	5,633,879	Gross delivery to I. N. G. Co.
145-P	United Carbon Co. ..... Rabun No. 2 Well.	238,743	Gross delivery to I. N. G. Co.
Total	.....	9,200,114	Gas Purchased by I. N. G. Co.

The Interstate company sells gas to the Southern Natural Gas Company, Mississippi River Fuel Corporation, and to United Gas Pipe Line Company for the account of Memphis Natural Gas Company. All of these companies are natural gas pipe line companies that transport all or part of the gas they receive from the Interstate company to points outside the State of Louisiana and sell all or part of this gas for resale.

The Southern Natural Gas Company owns production properties in the Logansport Field and transports this gas to the discharge side of Perryville Compressor Station in Monroe Gas Field. The Southern company owns no production properties in the Monroe Gas Field. It purchases gas from the Interstate company and other gas companies at the intake side of its Perryville Compressor Station in the Monroe Gas Field and transports this gas with gas produced in the Logansport Field by pipe line from the Monroe Gas Field in the State of Louisiana into the States of Mississippi, Alabama, and Georgia where it sells gas directly to customers and to distribution companies for resale to domestic, commercial, and industrial customers.

The Mississippi River Fuel Corporation owns no production properties in the Monroe Gas Field. It purchases gas from the Interstate company and other gas companies at the intake side of its Perryville Compressor Station in the Monroe Gas Field and transports this gas by pipe line from the Monroe Gas Field in the State of Louisiana into the States of Arkansas, Missouri, and Illinois where it sells gas directly to customers and to distribution companies for resale to domestic, commercial, and industrial customers.

The Memphis Natural Gas Company through its subsidiary, Southwest Gas Producing Company, owns production properties in the Monroe Gas Field but purchases most of its supply from the Interstate company and other gas companies at the intake side of its Guthrie Compressor Station in the Monroe Gas Field and transports this gas by pipe line from the Monroe Gas Field in the State of Louisiana into the States of Arkansas, Mississippi, and Tennessee where it sells gas directly to customers and to distribution companies for resale to domestic, commercial and industrial customers. All of the Interstate company's deliveries of gas to Memphis Natural Gas Company are for the account of United Gas Pipe Line Company which has a contract with Memphis Natural Gas Company.

All of Interstate's deliveries to Southern Natural Gas Company, Mississippi River Fuel Corporation, and Memphis Natural Gas Company are made for the account of Interstate and Hope Producing Company.

The following tabulation shows the total gas delivered to each of the above companies with exchange deductions for the account of Hope Producing Company:

Meter Point	Location	MCF 1941	Remarks
Southern Natural Gas Co.			
	(Press. Base: 14.4 Lbs. Atmos. plus 10 Oz.)		
176-S	So. Natural Gas. Co. ..... Perryville Comp. Station.	11,773,286	Gross delivered by I. N. G. Co.
160-P	Hope Producing Co. ..... Cole Meter Sta. Exchange.	(2,164,280)	Exchange gas delivered for account of H. P. Co.
Total	.....	9,609,006	Sold by I. N. G. Co. to Southern Nat. Gas Co.
Mississippi River Fuel Corp.			
177-S	Miss. River Fuel Corp. ..... Perryville Comp. Station.	8,260,092	Gross delivered by I. N. G. Co.
160-P	Hope Producing Co. ..... Cole Meter Sta. Exchange.	(2,809)	Exchange Gas delivered for account of H. P. Co.
Total	.....	8,257,283	Sold by I. N. G. Co. to Miss. River Fuel Corp.

Memphis Natural Gas Co.

178-S	Memphis Natural Gas Co..... Guthrie Comp. Sta.	4,240,818	Gross delivered by I. N. G. Co.
94	I. N. G. Co. Well No. 95.....	190,221	I. N. G. Co. Production.
95	I. N. G. Co. Well No. 96.....	168,602	I. N. G. Co. Production.
160-P	Hope Producing Co. ..... Cole Meter Sta. Exchange.	(602,652)	Exchange Gas delivered for account of H. P. Co.
Total	.....	3,996,989	Delivered by I. N. G. Co. to Memphis Natural Gas Co.

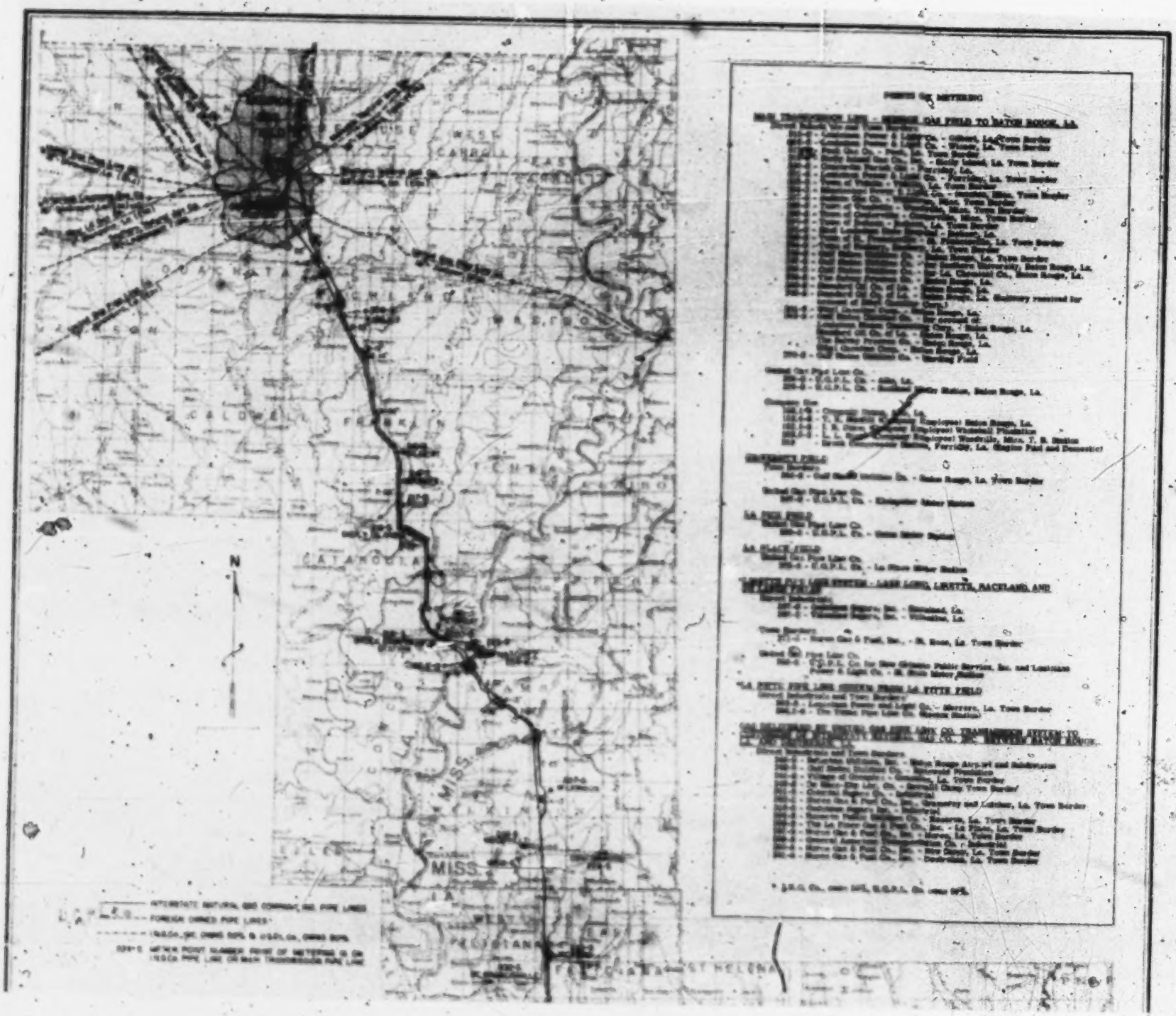
Docket G-149.

Schematic Map Showing Main Transmission Pipe Lines of Interstate Natural Gas Co., Inc. and Other Natural Gas Companies as of December 31, 1941.

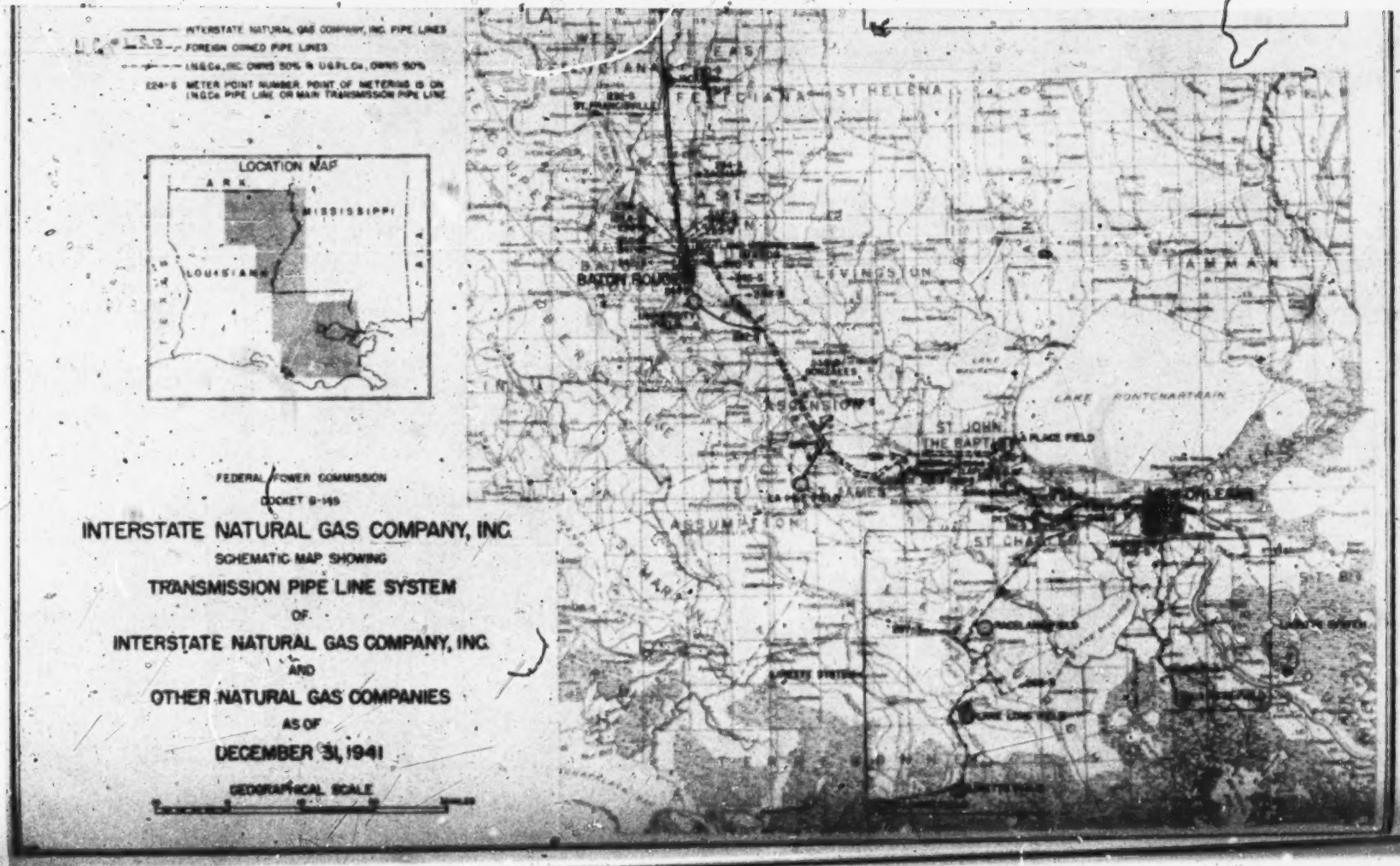
This map shows the location of the Interstate company's main transmission pipe lines from the Monroe Gas Field to Baton Rouge, Louisiana, and the location of pipe lines owned by the Interstate company which extend from points of purchase in new gas fields south of Baton Rouge, Louisiana, to the pipe line system of the United Gas Pipe Line Company. It is also the purpose of this map to show the general location of each point of sale, transportation, and company use, between the Monroe Gas Field and New Orleans, Louisiana. The points of delivery are indicated by metering point numbers which correspond to those used in the gas balance, and demand analysis. On this map the points of purchase are indicated by gas field names. The details of metering points in these gas fields which lie south of Baton Rouge are shown in the gas balance.

The pipe line owned by the United Gas Pipe Line Company, which extends from that company's Scotland Meter Station located at Baton Rouge, Louisiana, to New Orleans, Louisiana, is indicated on the map by a dash line.

It will be noted that in the environs of the Monroe Gas Field, pipe lines of the other companies have been indicated with dashed lines, and the reported direction of flow in these lines is also shown. On the upper right-hand side of this map is shown a tabulation more particularly describing the deliveries made by the Interstate company to customers between the Monroe Gas Field and New Orleans. This tabulation consists of a list of the same metering point numbers shown on the flow diagrams and the gas balance.



N
MISS.
LA.
MISS.
ST HELENA


INTERSTATE NATURAL GAS COMPANY, INC. PIPE LINES
FOREIGN OWNED PIPE LINES
LOCATION MAP
ARK.
MISSISSIPPI
LOUISIANA
FEDERAL POWER COMMISSION
DOCKET G-145
INTERSTATE NATURAL GAS COMPANY, INC.
SCHEMATIC MAP SHOWING
TRANSMISSION PIPE LINE SYSTEM
OF
INTERSTATE NATURAL GAS COMPANY, INC.
AND
OTHER NATURAL GAS COMPANIES
AS OF
DECEMBER 31, 1941
GEOGRAPHICAL SCALE
ST HELENA
LIVINGSTON
ST TAMMANY
LAKE PONTCHARTRAIN
ASSUMPTION
ST CHARLES

624

2417

Docket G-149.

Compressor Stations.

The De Siard Compressor Station, located at Fowler, Louisiana, in the Monroe Gas Field, was constructed in 1926 with a capacity of 5,400 horsepower and consisted of four 1,350 horsepower Worthington horizontal gas-engine gas compressors. In 1935 the company added one 1,200 horsepower National Transit horizontal gas-engine gas compressor, and in 1940 the company installed a 600 horsepower Clark angle-type gas-engine gas compressor, making a total capacity of 7,200 horsepower. This compressor station receives gas from the field lines of the company, and from United Gas Pipe Line Company, and discharges it into Line T-1 for deliveries from this main transmission pipe line. On the peak day of 1941, the average discharge pressure was approximately 360 pounds.

The Brock Compressor Station, located near Ferriday, Louisiana, was constructed in 1927 and 1928 with a total capacity of 5,400 horsepower, consisting of four Worthington horizontal gas-engine gas compressors of 1,350 horsepower each. In 1930 two additional Worthington horizontal gas-engine gas compressors of 1,250 horsepower each, were installed, making a total of 7,900 horsepower at the Brock Station.

These additional installations of horsepower in the De Siard and Brock Compressor Stations were made because of increasing demands upon the company's system. The following tabulation shows the total compressor engine hours of operation for each compressor station by years:

Statement of Total Compressor Engine Hours of Operation of Each Compressor Station.

(From Date of Installation to 12-31-41.)

Year	De Siard Station	Brock Station	Total
1927	4,563	....	4,563
1928	20,190	1,985	22,175
1929	19,861	8,221	28,082
1930	8,924	4,887	13,811
1931	8,792	2,717	11,509
1932	8,968	2,234	11,202
1933	15,280	506	15,786
1934	23,885	4,629	28,514
1935	27,957	21,448	49,405
1936	32,400	30,564	62,964
1937	27,158	31,592	58,750
1938	32,046	30,797	62,843
1939	36,423	33,436	69,859
1940	36,037	20,683	56,720
1941	32,403	18,085	50,488
Total	334,887	211,784	546,671

Docket G-149.

Main Transmission Pipe Line.

The main transmission Line T-1 was constructed in 1926 and consists of a 22-inch pipe line extending from the DeSiard Compressor Station to Baton Rouge, Louisiana. Increased consumption and demand requirements of customers have required the company to loop this original transmission pipe line, and as of December 31, 1941, the original system is looped, with the exception of approximately 21 miles in the State of Mississippi with 22-inch and 20-inch pipe lines from Alto, Louisiana, to Baton Rouge, Louisiana.

In 1936 the Interstate company purchased Line T-9 (16" diam.) which extends between Alto, Louisiana, in the Richland Gas Field, and Perryville, Louisiana, in the Monroe Gas Field. This pipe line was formerly used to transport gas from the Richland Field to its Perryville Compressor Station by the Mississippi River Fuel Corporation. The Interstate company has connected the northern end of the line to its Monroe Gas Field pipe lines (16" diam.) near Perryville, Louisiana, and interconnected the terminal of the line at Alto, Louisiana, with its Line T-1 (22" diam.).

The Interstate company operates Line T-9 (16" diam.) at a pressure of approximately 360 pounds per square inch to take gas from its high pressure field lines in the Monroe Gas Field and to deliver this gas under natural pressure into Main Line T-1 (22" diam.) near Alto, Louisiana. The flow of gas in line T-9 (16" diam.) is regulated at the well head of the 32 wells which deliver gas through the high pressure field lines into Line T-9 (16" diam.). The interconnection with Line T-9 (16" diam.)

and Line T-1 (22" diam.) at Alto allows the high pressure field lines to float on the Line T-1.

Until 1939, the Interstate company received some gas from the Richland Gas Field at Alto, Louisiana, into its Line T-1. During the year 1939, the gas reserves of the Richland Gas Field became exhausted, and all of the wells in that field were either abandoned or turned back to the property owners; and in the latter part of 1939, and since that date, the Interstate company has been making a delivery of gas from its main transmission line to the United Gas Pipe Line Company at Alto, Louisiana, under a transportation agreement.

The main transmission pipe line delivers gas as shown in the gas balance, to industrial customers, town borders stations, and for company use at points located in the States of Louisiana and Mississippi. All of the gas which is delivered from Line T-1 in Louisiana and in Mississippi originates in the Monroe Gas Field.

In the latter part of the year 1939, the Interstate company began purchasing gas from operators in the University Oil and Gas Field, located three miles south of Baton Rouge, Louisiana, and began delivery of gas from the University Field to Gulf States Utilities Company to supply part of the requirements of the distribution system at Baton Rouge, Louisiana. In the early part of 1940, the Interstate company completed construction of a line from the University Field to the main pipe line of the United Gas Pipe Line Company which extends from Baton Rouge to New Orleans. Since that time it has delivered part of the gas purchased in the University Field to United Gas Pipe Line Company at Kleinpeter Station, located at the United company's line. As of December 31, 1941, the Interstate company had contracts

with the William Helis, et al, Addison Outwater and Sugar Field Oil Company, Inc., Lisbon-Iberia Oil Corp., and the Sugar Field Oil Company, Inc., for the purchase of surplus gas in the University Oil and Gas Field.

During the latter part of 1939, the Interstate company contracted to purchase gas from the Shell Oil Company, Inc. in the La Pice Gas Field, located some 25 miles south of Baton Rouge, Louisiana. Construction of a pipe line from the La Pice Field to the main pipe line of the United Gas Pipe Line Company was completed during the latter part of 1939. Since January 1940, gas purchased in La Pice Field has been delivered to the United company at the Union Meter Station located at the United company's pipe line.

In the early part of 1940, the Interstate company contracted to purchase gas from the Pan-American Production Company and Shell Oil Company, Inc., in the La Place Gas Field located approximately 30 miles north of New Orleans, Louisiana, and constructed a pipe line from this point of purchase to the main pipe line of the United Pipe Line Company. During April 1940, the Interstate company started making deliveries to the United company at the La Place Meter Station located on the United company's line.

During the latter part of 1939, the Interstate company and the United Gas Pipe Line Company purchased a 12-inch pipe line of some 16 miles in length owned by the Gulf Natural Gas Company, located near the Lake Long Field near Houma, Louisiana. The companies have since constructed extensions to this pipe line south to the Du Large Field, and north to the main pipe line of the United Gas Pipe Line Company between Baton Rouge, Louisiana, and New Orleans, Louisiana. Gas is

purchased from the Fohs Oil Company and Pilgrim Exploration Company in the Lake Long Field, Humble Oil and Refining Company in the Lirette Field, Tide Water Oil Co., et al in the Raceland Field, and Fohs Oil Co., et al in the Du Large Field. The United company operates this pipe line for the mutual benefit of United and Interstate.

During the latter part of 1939, the United Gas Pipe Line Company made a contract for the mutual benefit of United and Interstate for the purchase of gas from The Texas Company in the La Fitte Field. At that time, there existed an 8-inch oil pipe line extending from the La Fitte Field to Marrero, Louisiana, near New Orleans, Louisiana. After the line had been reconditioned for the transportation of gas, it was leased from The Texas Pipe Line Company for delivery of gas from the La Fitte Field to the Marrero Meter Station located at Marrero, Louisiana.

Until the latter part of the year 1939, the Interstate Natural Gas Company's operations consisted of the purchase and production of natural gas in the Monroe Gas Field, the sale of gas in the Monroe Gas Field, the transmission of gas through its pipe lines from the De Siard Compressor Station to the terminal of its pipe lines near Baton Rouge, Louisiana, with the sale of gas to industrial customers and to distribution companies for resale in the States of Louisiana and Mississippi, and the sale of gas from the pipe line of United Gas Pipe Line Company between Baton Rouge and Destrehan, Louisiana.

The latter part of 1939 appears to be a period of transition in the operations of the Interstate Natural Gas Company in that it acquired additional sources of gas supply from the University, La Pice, La Place, Lirette,

Lake Long, and La Fitte Field. The effect of the transition has been to supply the increasing annual and demand responsibility of the Monroe Gas Field with gas from these southern fields.

Under the transportation agreements, Interstate transports gas from the Monroe Gas Field to Alto, Louisiana (208-S) and to Scotland, Louisiana (235-S) for the United Gas Pipe Line Company. The United company delivers a part of the gas to be transported to Interstate at the DeSiard Compressor Station (183-T). The remainder of the gas required by the United company is supplied by the Interstate company from the Monroe, University, La Pice, and La Place Fields, and, by contractual agreement, is considered to be sold by Interstate to United in the Monroe Gas Field and transported from there to Scotland, Louisiana. The United Gas Pipe Line Company transports gas for the Interstate company in its pipe line from Scotland, Louisiana, to Destrehan, Louisiana, and delivers this gas to customers of Interstate Natural Gas Company, Inc.

The Interstate company sells gas to the United company by contractual agreement in the Monroe Gas Field. The volume of gas sold United is computed as the volume of gas delivered by Interstate to United at Scotland, Louisiana (235-S) and Alto, Louisiana (208-S), plus gas delivered by Interstate to United at University Field, Kleinpeter Meter Station (247-S), La Pice Field, Union Meter Station (250-S), and La Place Field, La Place Meter Station (255-S), less gas delivered by United to Interstate for transportation at De Siard Compressor Station (183-T), less gas delivered to Interstate customers between Scotland and Destrehan, Louisiana.

The following tabulations show deliveries of gas by the Interstate company and the United company by source of supply and as billed during the calendar year 1941, and by source of supply on the maximum coincidental demand day January 8, 1942:

Docket G-149.

Analysis of Interstate Natural Gas Co., Inc., and United Gas Pipe Line Co., Transportation and Sales Deliveries, Calendar Year 1941.

(Pressure Base: 14.4 Lbs. Atmos. plus 10 Oz.)

Meter Point	Location	MCF 1941	Remarks
235-S	United Gas P. L. Co.—Scotland Comp. Station	15,981,988	Gross delivered by I. N. G. Co., Inc.
208-S	United Gas P. L. Co.—Alto, La.	165,113	Gross delivered by I. N. G. Co., Inc.
247-S	United Gas P. L. Co.—University Field—Kleinpeter Meter Station	4,491,484	Gross delivered by I. N. G. Co., Inc.
250-S	United Gas P. L. Co.—La Pice Field—Union Meter Station	2,174,876	Gross delivered by I. N. G. Co., Inc.
255-S	United Gas P. L. Co.—La Place Field—La Place Meter Station	1,369,637	Gross delivered by I. N. G. Co., Inc.

183-T	Interstate Natural Gas Co.—De Siard Comp. Station	(14,482,841)	Gas received by I. N. G. Co. from U. G. P. L. Co. for transportation.
—	I. N. G. Co. Customers between Scotland and Destrehan, La.	(4,886,503)	Gas received by I. N. G. Co. from U. G. P. L. Co.
Transportation and Sale as Billed:			
Net	United Gas P. L. Co.	4,813,754	Gas I. N. G. Co. sold U. G. P. L. Co. at De Saird Comp. Station computed per contractual agreement.
208-S	United Gas P. L. Co.—Alto, La.....	165,113	Gas I. N. G. Co. transported from De Siard Comp. Station to Alto, La. (metered).
Net	United Gas P. L. Co.—Scotland Comp. Station	19,131,481	Gas I. N. G. Co. transported from De Siard to Scotland, La., for U. G. P. L. Co. computed per contractual agreement.

Meter Point	Location	MCF 1941	Remarks
Net	Interstate Natural Gas Co.—Scotland to Destrehan, La.	4,886,503	Gas U. G. P. L. Co. transported from Scotland to Destrahan, La., for I. N. G. Co. customers per contractual agreement.
Transportation and Sale Deliveries by Source of Supply:			
Net	United Gas P. L. Co.	1,664,260	Gas I. N. G. Co. sold U. G. P. L. Co. at Scotland Compressor Station.
Net	United Gas P. L. Co.	3,149,494	Gas I. N. G. Co. sold U. G. P. L. Co. south of Scotland Compressor Station.
208-S	United Gas P. L. Co.	165,113	Gas I. N. G. Co. transported from De Siard Compressor Station to Alto, La. (Metered).
Net	United Gas P. L. Co.	15,981,988	Gas I. N. G. Co. transported from De Siard Compressor Station to Scotland Compressor Station.
Net	Interstate Natural Gas Co., Inc.	4,886,503	Gas U. G. P. L. Co. transported from Scotland to Destrehan, La., for I. N. G. Co. customers.

Analysis of Interstate Natural Gas Co., Inc., and United Gas Pipe Line Co., Transportation and Sales Deliveries, Maximum Coincidental Demand Day—Nov. 15, 1940—(Continued.)

(Pressure Base: 14.4 Lbs. Atmos. plus 10 Oz.)

235-S	United Gas P. L. Co.—Scotland Compressor Station	64,376	Gross delivered by I. N. G. Co., Inc.
208-S	United Gas P. L. Co.—Alto, La.	1,349	Gross delivered by I. N. G. Co., Inc.
247-S	United Gas P. L. Co.—University Field—Kleinpeter Meter Station	10,225	Gross delivered by I. N. G. Co., Inc.
250-S	United Gas P. L. Co.—La Pice Field—Union Meter Station	8,457	Gross delivered by I. N. G. Co., Inc.
255-S	United Gas P. L. Co.—La Place Field—La Place Meter Station	2,336	Gross delivered by I. N. G. Co., Inc.
183-T	Interstate Natural Gas Co., Inc.—De Siard Compressor Station	(51,660)	Gas received by I. N. G. Co., Inc., from U. G. P. L. Co. for transportation.

Meter Point	Location	MCF 1941	Remarks
——	Interstate Natural Gas Co., Inc.—Customers between Scotland and Destrehan, La.	(9,377)	Gas received by I. N. G. Co. from U. G. P. L. Co.

Transportation and Sale Deliveries by Source of Supply:

Net	United Gas P. L. Co.	14,065	Gas. I. N. G. Co. sold U. G. P. L. Co. and transported to Scotland Compressor Station.
Net	United Gas P. L. Co.	11,641	Gas. I. N. G. Co. sold U. G. P. L. Co. south of Scotland Compressor Station.
208-S	United Gas P. L. Co.	1,349	Gas I. N. G. Co. transported from De Siard Compressor Station to Alto, La. (Metered).
Net	United Gas P. L. Co.	64,376	Gas I. N. G. Co. transported from De Siard Compressor Station to Scotland Compressor Station.
Net	Interstate Natural Gas Co. Inc.	9,377	Gas U. G. P. L. Co. transported from Scotland to Destrehan, La., for I .N. G. Co. customers.

Docket G-149.

Flow Diagrams Showing Flow of Gas Through the Transmission System During: The Calendar Years of 1939, 1940, and 1941, and on the 24-Hour Coincidental Maximum Demand Day November 15, 1940 and January 8, 1942.

The flow diagrams were prepared under my supervision for the purpose of illustrating graphically the operations of the company as to the volumes of gas handled and experienced on the system.

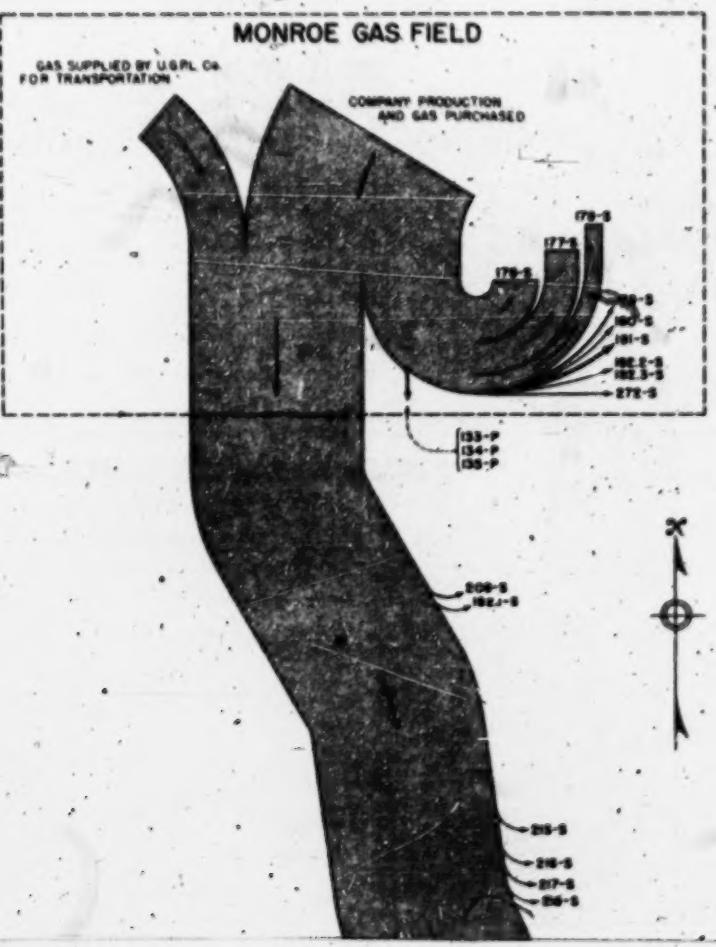
The basic data used in preparing these flow diagrams were obtained from the records of the Interstate company at Monroe, Louisiana.

These diagrams show in graphic form the volumes of gas transmitted by the Interstate company based upon the volume delivered by that company as indicated in the title of these flow diagrams. In effect these diagrams show the disposition of the total gas handled by the company during these periods. The width of the flow diagrams indicates MCF of gas which is plotted on a schematic geographical location of the company's main transmission pipe line. It will be noted that along the flow diagrams, numbers designate each delivery of gas between the Monroe Gas Field and New Orleans, Louisiana.

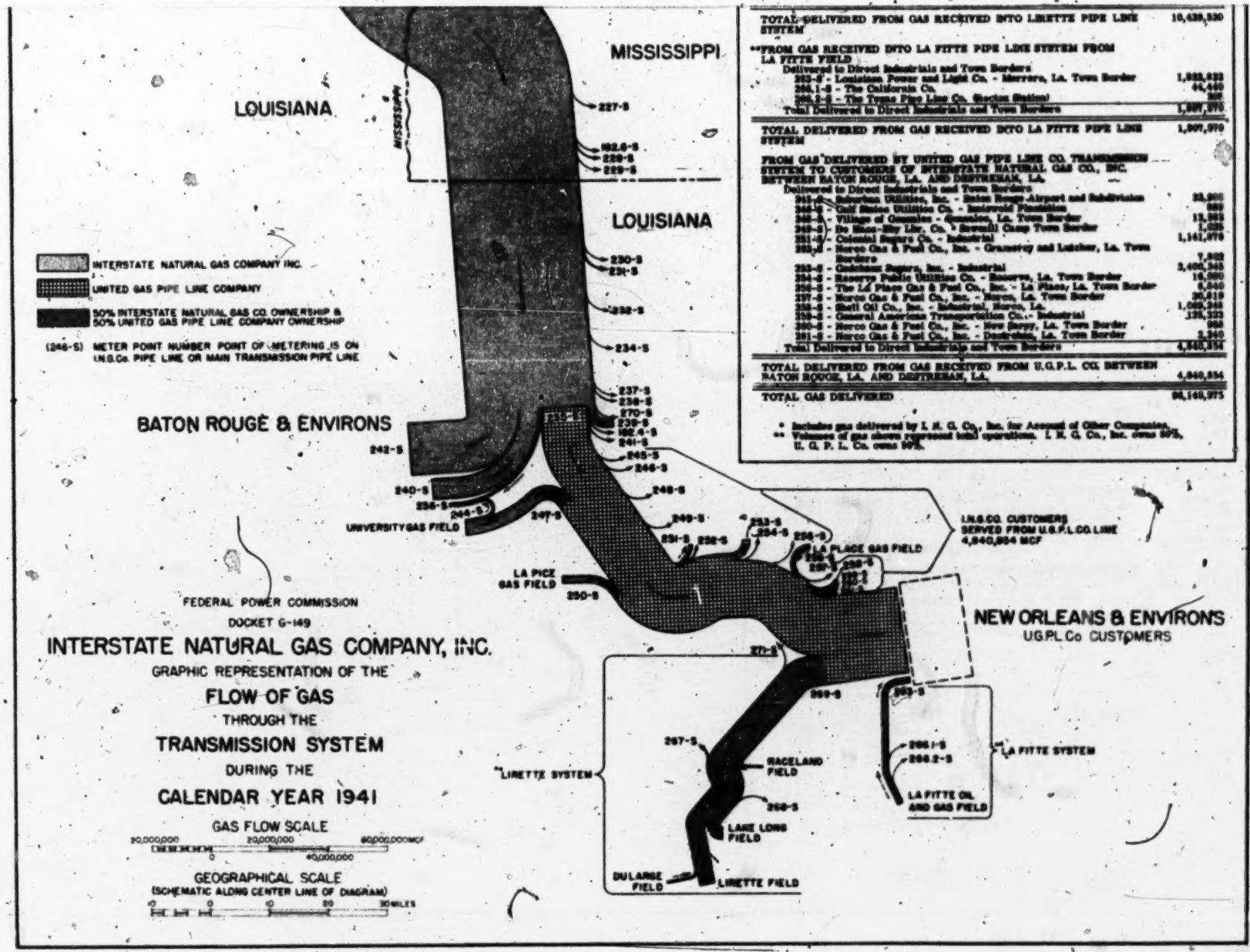
The ownership of the pipe lines between Monroe and New Orleans, Louisiana, is indicated by Ben Day pattern. In the upper right-hand side of each flow diagram is a tabulation showing the meter point number, corresponding to that which is shown on the flow diagram itself, the name and location of the customer and

the MCF of gas delivered by Interstate. The volumes of gas which are tabulated are taken from the gas balance and demand analysis which are included in this Exhibit.

It will be seen from the flow diagrams showing the operation of the Interstate company during the calendar year 1940 and 1941 that the character of operations as compared to that of 1939 has changed. The 1940 and 1941 flow diagrams show the effect of the Interstate company's acquired new sources of gas supply between Baton Rouge, Louisiana, and New Orleans, Louisiana, and it may be easily seen that this additional supply has greatly assisted the annual delivery and demand responsibility of the Monroe Gas Field.

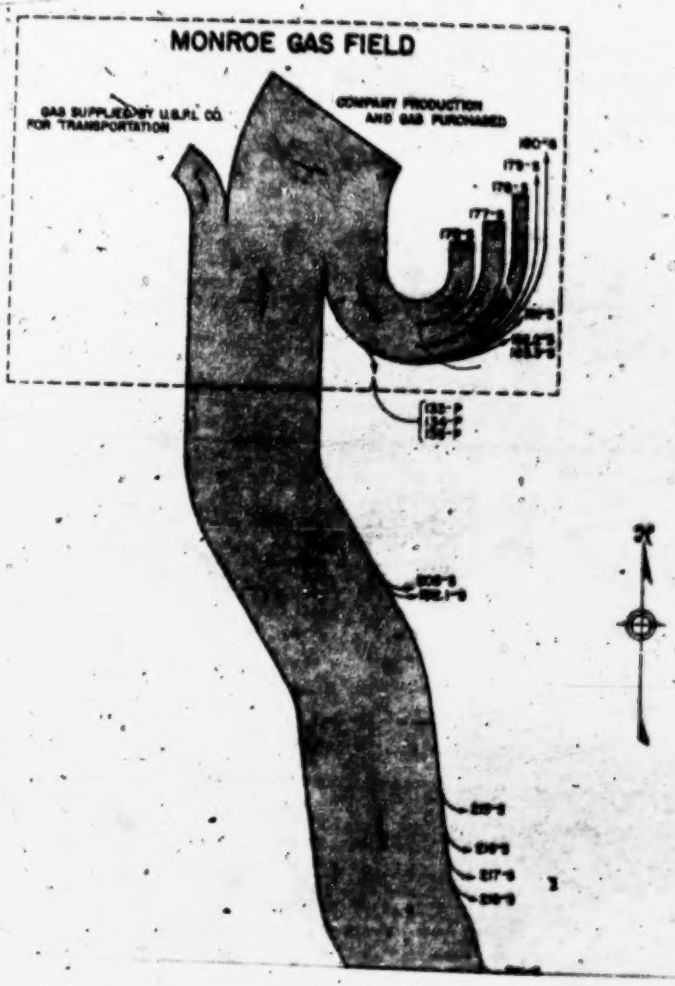


	CALENDAR YEAR 1953 (000's)
FROM GAS RECEIVED IN MONROE GAS FIELD	
DELIVERED IN MONROE GAS FIELD	
Delivered for Exchange from L.N.G. Co. Wells	
132-P - Southern Natural Gas Co., Green Well No. 131	88,898
134-P - " " " " Green Well No. 133	115,538
135-P - " " " " Green Well No. 140	72,066
Total Delivered for Exchange from L.N.G. Co. Wells	397,432
Delivered to Pipe Line Companies, Etc.	
*176-S - Southern Natural Gas Co. (Perryville Station)	11,772,288
*177-S - Mississippi River Fuel Corp. (Perryville Station)	5,360,000
*178-S - United Gas Pipe Line Co. for Memphis Natural Gas Co. at Gallo'a Station)	4,360,818
179-S - United Gas Pipe Line Co. for Memphis Natural Gas Co. from Well No. 90)	190,221
180-S - United Gas Pipe Line Co. for Memphis Natural Gas Co. from Well No. 92)	168,802
272-S - L. W. Corp. (Well Drilling Fuel)	1,200
Total Delivered to Pipe Line Companies	26,854,319
Company Use	
181-S - De Hard Compressor Station (Engine Fuel and Domestic)	305,943
183.1-S - Spencer Domestic (Company Houses)	4,045
183.2-S - Spencer Estate Lease (Obligation)	6,188
Drilling and Repairing Company-Wells	13,000
Total Company Use	419,285
TOTAL DELIVERED IN MONROE GAS FIELD	28,345,036
DELIVERED FROM MAIN TRANSMISSION LINE - MONROE GAS FIELD TO BATON ROUGE, LA.	
Delivered to Direct Industrials and Town Borders	
210-S - Louisiana Power & Light Co. - Gilbert, La. Town Border	7,241
216-S - Louisiana Power & Light Co. - Winnsboro, La. Town Border	6,559
217-S - Peach Gas Co. - Peach, La. Town Border	1,021
218-S - Shelly Island Gas Co., Inc. - Shelly Island, La. Town Border	13,610
219-S - Concordia Parish Gas - Ferriday, La.	2,313
221-S - Louisiana Power & Light Co. - Ferriday, La. Town Border	27,094
223-S - Town of Wisner, La. Town Border	12,961
224-S - Mississippi Power & Light Co. - Natchez, Miss. Town Border	488,106
227-S - Buffalo Gas Co. - Wilkinson, Miss. Town Border	1,298
228-S - Town of Woodville - Woodville, Miss. Town Border	22,017
229-S - Town of Centreville - Centreville, Miss. Town Border	4,075
230-S - Town of Jackson - Jackson, La. Town Border	8,187
231-S - East Louisiana State Hospital - Jackson, La.	277,045
232-S - Town of St. Francisville - St. Francisville, La. Town Border	9,831
234-S - Town of Zachary - Zachary, La. Town Border	5,270
236-S - Gulf States Utilities Co. - Baton Rouge, La. Town Border	597,888
237-S - Gulf States Utilities Co. - for Southern University, Baton Rouge, La.	49,976
238-S - Gulf States Utilities Co. - for La. Chemical Co., Baton Rouge, La.	288
239-S - The Solvay Process Co. - Baton Rouge, La.	2,820,969
240-S - Standard Oil Co. of La. - Baton Rouge, La.	6,456,141
240-S - Standard Oil Co. of La. - Baton Rouge, La. Delivery received for account of Ethyl Gasoline Corp.)	958,097
241-S - Ethyl Gasoline Corp. - Baton Rouge, La.	168,310
243-S - Gulf States Utilities Co. - for account of Louisiana Steam Generating Corp. - Baton Rouge, La.	3,523,088
Standard Oil Co. of La. - Baton Rouge, La.	11,886,816
The Solvay Process Co. - Baton Rouge, La.	1,041,782
Ethyl Gasoline Corp. - Baton Rouge, La.	1,967,310
270-S - Gulf States Utilities Co. - Hershey Field	36,023
Total Delivered to Direct Industrials and Town Borders	38,634,910
Delivered to United Gas Pipe Line Co.	
206-S - U.G.P.L. Co. - Alto, La.	185,113
220-S - U.G.P.L. Co. - Scotland Meter Station, Baton Rouge, La.	15,981,988
Total Delivered to United Gas Pipe Line Co.	16,167,101
Company Use	
182.1-S - Company House, Alto, La.	731
182.4-S - T. E. Shuffi (Company Employee) Baton Rouge, La.	568
182.5-S - J. B. Dixon (Company Employee) Whitehall Plantation	131
182.6-S - L. L. Ricks (Company Employee) Woodville, Miss. T. B. Station	397
219-S - Brock Compressor Station, Ferriday, La. (Engine Fuel and Domestic)	223,788
Total Company Use	224,485
TOTAL DELIVERED FROM MAIN TRANSMISSION LINE	55,026,496
TOTAL DELIVERED FROM GAS RECEIVED IN MONROE GAS FIELD	70,382,061
FROM GAS RECEIVED IN UNIVERSITY FIELD	
Delivered to Town Borders	
244-S - Gulf States Utilities Co. - Baton Rouge, La. Town Border	564,972
Delivered to United Gas Pipe Line Co.	
247-S - U.G.P.L. Co. - Livingston Meter Station	4,491,684
TOTAL DELIVERED FROM GAS RECEIVED IN UNIVERSITY FIELD	5,056,097
FROM GAS RECEIVED IN LA PICE FIELD	
Delivered to United Gas Pipe Line Co.	
250-S - U.G.P.L. Co. - Union Meter Station	2,174,876
TOTAL DELIVERED FROM GAS RECEIVED IN LA PICE FIELD	2,174,876
FROM GAS RECEIVED IN LA PLACE FIELD	
Delivered to United Gas Pipe Line Co.	
252-S - U.G.P.L. Co. - La Place Meter Station	1,308,637



TOTAL DELIVERED FROM GAS RECEIVED INTO LIRETTE PIPE LINE SYSTEM	10,429,530
**FROM GAS RECEIVED INTO LA FITTE PIPE LINE SYSTEM FROM LA FITTE FIELD	
Delivered to Direct Industrials and Town Borders	
263-S - Louisiana Power and Light Co. - Marrero, La. Town Border	1,822,833
266.1-S - The California Co.	44,440
266.2-S - The Texas Pipe Line Co. (Rector Station)	307
Total Delivered to Direct Industrials and Town Borders	1,867,570
TOTAL DELIVERED FROM GAS RECEIVED INTO LA FITTE PIPE LINE SYSTEM	1,907,570
FROM GAS DELIVERED BY UNITED GAS PIPE LINE CO. TRANSMISSION SYSTEM TO CUSTOMERS OF INTERSTATE NATURAL GAS CO., INC. BETWEEN BATON ROUGE, LA. AND DESTREHAN, LA.	
Delivered to Direct Industrials and Town Borders	
245-S - Suburban Utilities, Inc. - Baton Rouge Airport and Subdivision	33,900
246-S - Gulf States Utilities Co. - Inniswold Plantation	889
248-S - Village of Gonzales - Gonzales, La. Town Border	12,983
249-S - De Haas-Hay Lbr. Co. - Sawmill Camp Town Border	1,025
251-S - Colonial Sugars Co. - Industrial	1,141,870
252-S - Norco Gas & Fuel Co., Inc. - Gramercy and Lutcher, La. Town Borders	7,802
253-S - Godchaux Sugars, Inc. - Industrial	2,400,345
254-S - Reserve Public Utilities Co. - Reserve, La. Town Border	16,000
256-S - The La Place Gas & Fuel Co., Inc. - La Place, La. Town Border	6,840
257-S - Norco Gas & Fuel Co., Inc. - Norco, La. Town Border	30,819
258-S - Shell Oil Co., Inc. - Industrial, Norco, La.	1,069,348
259-S - General American Transportation Co. - Industrial	125,323
260-S - Norco Gas & Fuel Co., Inc. - New Sarpy, La. Town Border	988
261-S - Norco Gas & Fuel Co., Inc. - Destrehan, La. Town Border	2,340
Total Delivered to Direct Industrials and Town Borders	4,840,854
TOTAL DELIVERED FROM GAS RECEIVED FROM U.G.P.L. CO. BETWEEN BATON ROUGE, LA. AND DESTREHAN, LA.	4,840,854
TOTAL GAS DELIVERED	96,149,975

* Includes gas delivered by I. N. G. Co., Inc. for Account of Other Companies.
** Volumes of gas shown represent total operations. I. N. G. Co., Inc. owns 50%, U. G. P. L. Co. owns 50%.



MAX COUNC. DAY
JAN. 5, 1942
(MCF)

FROM GAS RECEIVED IN MONROE GAS FIELD

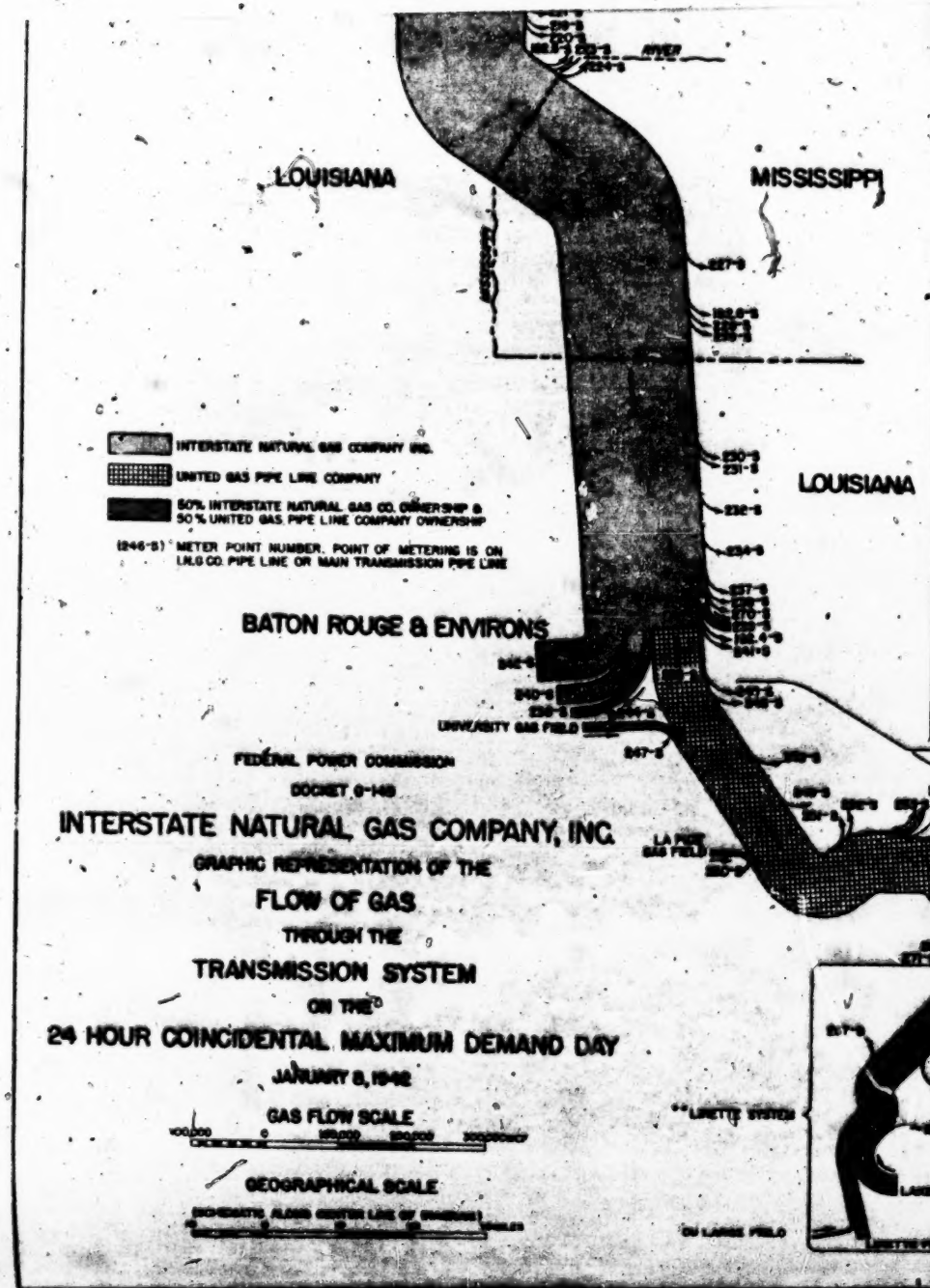
DELIVERED IN MONROE GAS FIELD
Delivered for Exchange from I.N.G. Co. Wells
133-P - Southern Carbon Co., (from Well No. 15) [illegible]
134-P - " " " (from Well No. 21) [illegible]
136-P - " " " (from Well No. 30) [illegible]
Total Delivered for Exchange from I.N.G. Co. Wells [illegible]
Delivered to Pipe Line Companies, Etc.
*176-S - Southern Natural Gas Co. (Perryville Station) [illegible]
*177-S - Mississippi River Fuel Corp. (Perryville Station) [illegible]
*178-S - United Gas Pipe Line Co. (for Memphis Natural Gas Co. at Guthrie Station) [illegible]
179-S - United Gas Pipe Line Co. (for Memphis Natural Gas Co. from Well No. 98) [illegible]
180-S - United Gas Pipe Line Co. (for Memphis Natural Gas Co. from Well No. 98) [illegible]
Total Delivered to Pipe Line Companies [illegible]
Company Use
181-S - De Sard Compressor Station (Engine Fuel and Domestic) [illegible]
182.2-S - Spencer Domestic (Company Houses) [illegible]
182.3-S - Spencer Estate (Lease Obligation) [illegible]
- Drilling and Repairing Company Wells [illegible]
Total Company Use [illegible]
TOTAL DELIVERED IN MONROE GAS FIELD [illegible]

DELIVERED FROM MAIN TRANSMISSION LINE - MONROE GAS FIELD TO BATON ROUGE, LA.
Delivered to Direct Industrials and Town Borders
215-S - Louisiana Power & Light Co. - Gilbert, La. Town Border [illegible]
216-S - Louisiana Power & Light Co. - Winter, La. Town Border [illegible]
217-S - Peck Gas Co. - Peck, La. Town Border [illegible]
218-S - Sicily Island Gas Co., Inc. - Sicily Island, La. Town Border [illegible]
220-S - Concordia Parish Gas - Ferriday, La. [illegible]
221-S - Louisiana Power & Light Co. - Ferriday, La. Town Border [illegible]
223-S - Town of Vidalia - Vidalia, La. Town Border [illegible]
224-S - Mississippi Power & Light Co. - Natchez, Miss. Town Border [illegible]
227-S - Buffalo Gas Co. - Wilkinson, Miss. Town Border [illegible]
228-S - Town of Woodville - Woodville, Miss. Town Border [illegible]
229-S - Town of Centerville - Centerville, Miss. Town Border [illegible]
230-S - Town of Jackson - Jackson, La. Town Border [illegible]
231-S - East Louisiana State Hospital - Jackson, La. [illegible]
232-S - Town of St. Francisville - St. Francisville, La. Town Border [illegible]
233-S - Town of Zachary, Zachary, La. Town Border [illegible]
234-S - Gulf States Utilities Co. - Baton Rouge, La. Town Border [illegible]
237-S - Gulf States Utilities Co. - for Southern University, Baton Rouge, La. [illegible]
238-S - Gulf States Utilities Co. - for La. Chemical Co., Baton Rouge, La. [illegible]
239-S - The Solvay Process Co. - Baton Rouge, La. [illegible]
240-S - Standard Oil Co. of La. - Baton Rouge, La. [illegible]
241-S - Standard Oil Co. of La. - Baton Rouge, La. (Delivery received by account of Stiles Gasoline Corp.) [illegible]
242-S - Stiles Gasoline Corp. - Baton Rouge, La. [illegible]
243-S - Gulf States Utilities Co. - for account of
Louisiana Stiles Gasoline Corp. - Baton Rouge, La. [illegible]
Standard Oil Co. of La. - Baton Rouge, La. [illegible]
The Solvay Process Co. - Baton Rouge, La. [illegible]
Stiles Gasoline Corp. - Baton Rouge, La. [illegible]
277-S - Gulf States Utilities Co. - Harding Field [illegible]
Total Delivered to Direct Industrials and Town Borders [illegible]
Delivered to United Gas Pipe Line Co.
[illegible] - U.G.P.L. Co. - Alto, La. [illegible]
[illegible] - U.G.P.L. Co. - [illegible] [illegible]
Total Delivered to United Gas Pipe Line Co. [illegible]
Company Use
[illegible] - Company House, Alto, La. [illegible]
[illegible] - [illegible] (Company Employees) Baton Rouge, La. [illegible]
[illegible] - [illegible] (Company Employees) Wakefield Plantation [illegible]
[illegible] - [illegible] (Company Employees) Woodville, Miss. [illegible]
[illegible] - Brook Compressor Station, Ferriday, La. (Engine Fuel and Domestic) [illegible]
Total Company Use [illegible]
TOTAL DELIVERED FROM GAS RECEIVED IN MONROE GAS FIELD [illegible]

FROM GAS RECEIVED IN UNIVERSITY FIELD
Delivered to Town Borders
[illegible] - Gulf States Utilities Co. - Baton Rouge, La. [illegible]
Delivered to United Gas Pipe Line Co.
[illegible] - U.G.P.L. Co. - [illegible] [illegible]
TOTAL DELIVERED FROM GAS RECEIVED IN UNIVERSITY FIELD [illegible]

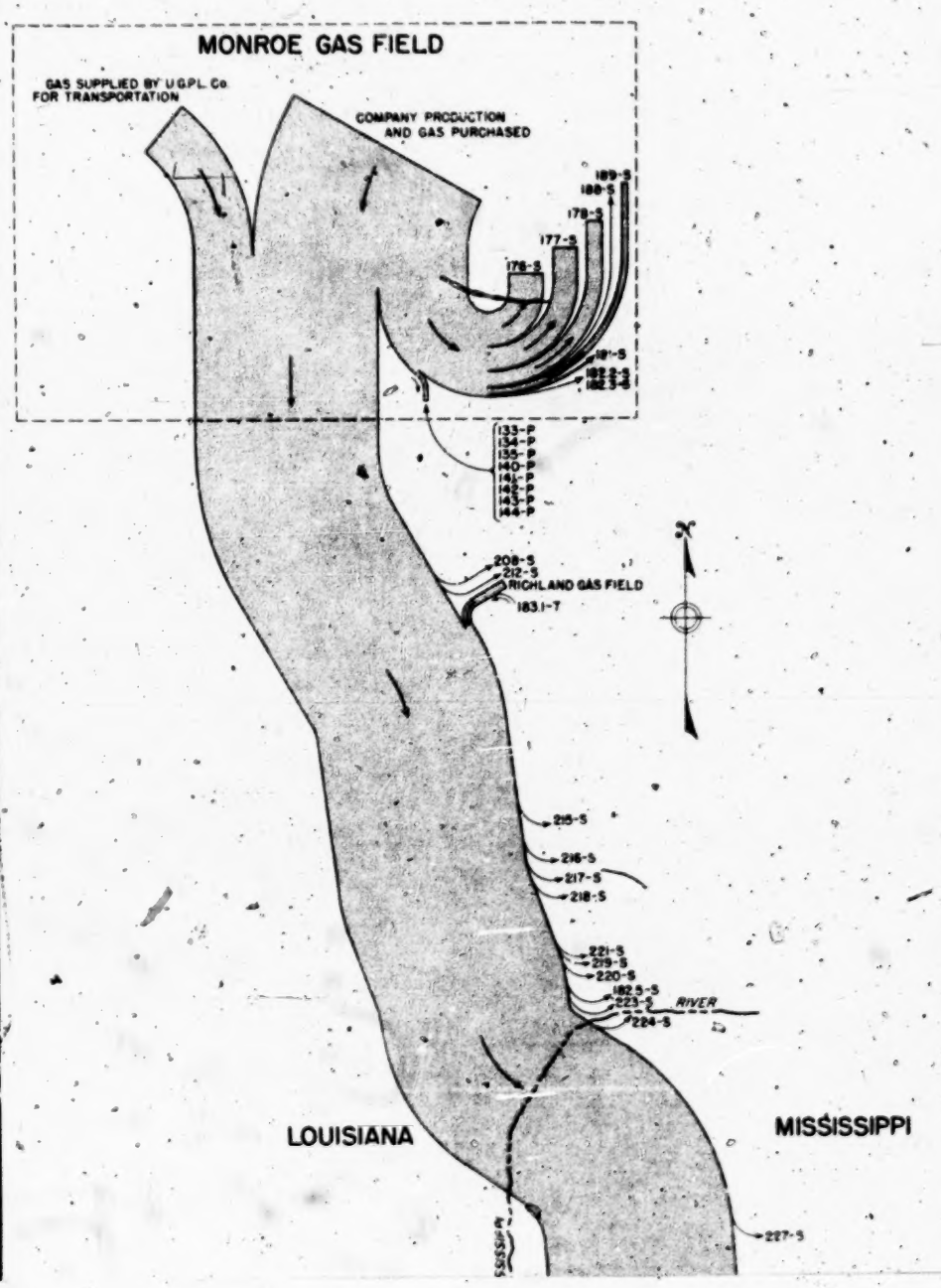
FROM GAS RECEIVED IN LA PICE FIELD
Delivered to United Gas Pipe Line Co.
[illegible] - U.G.P.L. Co. - Union Motor Station [illegible]
TOTAL DELIVERED FROM GAS RECEIVED IN LA PICE FIELD [illegible]

FROM GAS RECEIVED IN LA PLACE FIELD
Delivered to United Gas Pipe Line Co.
[illegible] - U.G.P.L. Co. - La Place Motor Station [illegible]



[illegible] - La Fitte Meter Station	[illegible]
TOTAL DELIVERED FROM GAS RECEIVED IN LA PLACE FIELD	[illegible]
**FROM GAS RECEIVED INTO LIRETTE PIPE LINE SYSTEM FROM LAKE LONG, LIRETTE, RACELAND, AND DULARGE FIELDS	
Delivered to Direct Industrials	
267-S - Godchaux Sugars, Inc. - Raceland, La.	10
265-S - Valentine Sugars, Inc. - Valentine, La.	414
Total Delivered to Direct Industrials	404
Delivered to Town Borders	
271-S - Norco Gas & Fuel, Inc. - St. Rose, La. Town Border	30
Delivered to United Gas Pipe Line Co.	
269-S - U.G.P.L. Co. for New Orleans Public Service, Inc. and Louisiana Power & Light Co. - St. Rose Meter Station	[illegible]
TOTAL DELIVERED FROM GAS RECEIVED INTO LIRETTE PIPE LINE SYSTEM	[illegible]
**FROM GAS RECEIVED INTO LA FITTE PIPE LINE SYSTEM FROM LA FITTE FIELD	
Delivered to Direct Industrials and Town Borders	
263-S - Louisiana Power and Light Co. - Marrero, La. Town Border	[illegible]
265.1-S - The Texas Pipe Line Co. Glaciex Station	[illegible]
Total Delivered to Direct Industrials and Town Borders	[illegible]
TOTAL DELIVERED FROM GAS RECEIVED INTO LA FITTE PIPE LINE SYSTEM	[illegible]
FROM GAS DELIVERED BY UNITED GAS PIPE LINE CO. TRANSMISSION SYSTEM TO CUSTOMERS OF INTERSTATE NATURAL GAS CO., INC. BETWEEN BATON ROUGE, LA. AND DESTREHAN, LA.	
Delivered to Direct Industrials and Town Borders	
245-S - Suburban Utilities, Inc. - Baton Rouge Airport and Subdivision	[illegible]
246-S - Gulf States Utilities Co. - Inniswold Plantation	[illegible]
248-S - Village of Gonzales - Gonzales, La. Town Border	[illegible]
249-S - De Haas-Bay Lbr. Co. - Sawmill Camp Town Border	[illegible]
251-S - Colonial Sugars Co. - Industrial	[illegible]
253-S - Norco Gas & Fuel Co., Inc., Cranmoray and Lutcher, La. Town Border	[illegible]
253-S - Godchaux Sugars Inc. - Industrial	[illegible]
254-S - Reserve Public Utilities Co. - Reserve, La. Town Border	[illegible]
256-S - The La Place Gas & Fuel Co., Inc. - La Place, La. Town Border	[illegible]
257-S - Norco Gas & Fuel Co., Inc. - Norco, La. Town Border	[illegible]
259-S - General American Transportation Co. - Industrial	[illegible]
260-S - Norco Gas & Fuel Co., Inc. - New Sarpy, La. Town Border	[illegible]
261-S - Norco Gas & Fuel Co., Inc. - Destrehan, La. Town Border	[illegible]
Total Delivered to Direct Industrials and Town Borders	[illegible]
TOTAL DELIVERED FROM GAS RECEIVED FROM U.G.P.L. CO. BETWEEN BATON ROUGE, LA. AND DESTREHAN, LA.	[illegible]
TOTAL GAS DELIVERED	[illegible]

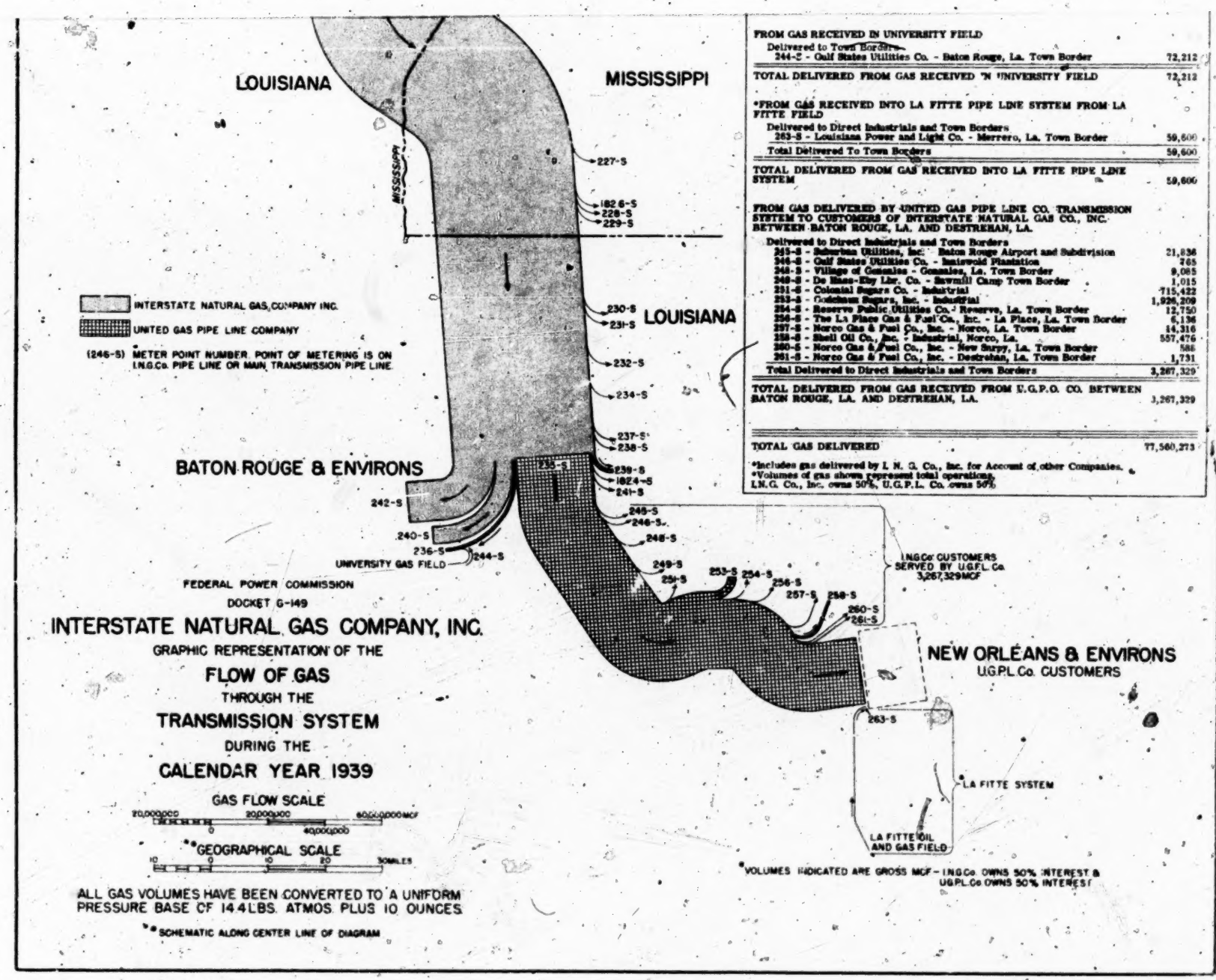
* Includes gas delivered by I.N.G. Co., Inc. for account of Other Companies.
** Volumes of gas shown represent total operations. I.N.G. Co., Inc. owns 50%, U.G.P.L. Co. owns 50%.



GAS DELIVERED - BY POINTS OF METERING
(Pressure Base - 14.4 Lbs. Atmos. plus 10 oz.)

	CALENDAR YEAR 1938 (MCF)
FROM GAS RECEIVED IN MONROE AND RICHLAND GAS FIELD	
DELIVERED IN MONROE GAS FIELD	
Delivered for Exchange from L N. G. Co. Wells	
133-P - Southern Carbon Co. (from Well No. 15)	109,725
134-P - " " " (from Well No. 21)	121,561
135-P - " " " (from Well No. 56)	42,429
140-P - United Carbon Co. (from Well No. 34)	245,532
141-P - " " " (from Well No. 63)	103,419
142-P - " " " (from Well No. 79)	99,548
143-P - " " " (from Well No. 81)	217,962
144-P - " " " (from Well No. 83)	95,389
Total Delivered for Exchange from L N. G. Co. Wells	1,119,771
Delivered to Pipe Line Companies	
*176-S - Southern Natural Gas Co. (Perryville Station)	8,897,296
*177-S - Mississippi River Fuel Corp. (Perryville Station)	6,585,336
*178-S - United Gas Pipe Line Co. (for Memphis Natural Gas Co. at Guthrie Station)	4,433,056
*188-S - Arkansas Louisiana Gas Co. (Ohmee Station)	371,151
*189-S - United Gas Pipe Line Co. (for Dixie Gulf Gas Co. At Ohmee Station)	1,814,943
Total Delivered to Pipe Line Companies	22,201,784
Company Use	
181-S - De Siard Compressor Station (Engine Fuel and Domestic)	446,879
182.2-S - Spencer Domestic (Company Houses)	4,083
182.3-S - Spencer Estate (Lease Obligation)	5,784
- Drilling and Repairing Company Wells	5,200
- Gas from United Carbon Co. to drill Well No. 95	1,639
- Gas from " " " to drill Well No. 96	1,532
Total Company Use	464,917
TOTAL DELIVERED IN MONROE GAS FIELD	23,785,472
DELIVERED FROM MAIN TRANSMISSION LINE - MONROE GAS FIELD TO BATON ROUGE, LA.	
Delivered to Direct Industrials and Town Borders	
212-S - Operating Richland Receiving Station	673
215-S - Louisiana Power & Light Co. - Gilbert, La. Town Border	7,599
216-S - Louisiana Power & Light Co. - Winnsboro, La. Town Border	9,252
217-S - Peck Gas Co. - Peck, La. Town Border	2,492
218-S - Sicily Island Gas Co., Inc. - Sicily Island, La. Town Border	10,887
220-S - J. M. Jones Lumber Co. - Ferriday, La.	1,975
221-S - Louisiana Power & Light Co. - Ferriday, La. Town Border	24,788
219-S - Town of Vidalia - Vidalia, La. Town Border	16,602
224-S - Mississippi Power & Light Co. - Natchez, Miss. Town Border	264,881
227-S - Buffalo Gas Co. - Wilkinson, Miss. Town Border	1,459
228-S - Town of Woodville - Woodville, Miss. Town Border	20,837
229-S - Town of Centerville - Centerville, Miss. Town Border	585
230-S - Town of Jackson - Jackson, La. Town Border	8,109
231-S - East Louisiana State Hospital - Jackson, La.	265,132
232-S - Town of St. Francisville - St. Francisville, La. Town Border	3,629
234-S - Town of Zachary - Zachary, La. Town Border	5,540
236-S - Gulf States Utilities Co. - Baton Rouge, La. Town Border	833,092
237-S - Gulf States Utilities Co. - for Southern University, Baton Rouge, La.	32,176
238-S - Gulf States Utilities Co. - for La. Chemical Co., Baton Rouge, La.	417
239-S - The Solvay Process Co. - Baton Rouge, La.	1,030,700
340-S - Standard Oil Co. of La. - Baton Rouge, La.	5,970,137
340-S - Standard Oil Co. of La. - Baton Rouge, La. (Delivery received for account of Ethyl Gasoline Corp.)	347,744
341-S - Ethyl Gasoline Corp. - Baton Rouge, La.	97,008
342-S - Gulf States Utilities Co. - for account of:	
Louisiana Steam Generating Corp. - Baton Rouge, La.	1,031,301
Standard Oil Co. of La. - Baton Rouge, La.	10,124,654
The Solvay Process Co. - Baton Rouge, La.	2,089,149
Ethyl Gasoline Corp. - Baton Rouge, La.	1,153,188
Total Delivered to Direct Industrials and Town Borders	23,934,009
Delivered to United Gas Pipe Line Co.	
208-S - U. G. P. L. Co. - Alto, La.	70,210
225-S - U. G. P. L. Co. - Scotland Meter Station, Baton Rouge, La.	26,914,031
Total Delivered to United Gas Pipe Line Co.	26,984,241
Company Use	
182.1-S - Company House, Alto, La.	280
182.4-S - T. E. Stanfill (Company Employee) Baton Rouge, La.	408
182.5-S - J. B. Dixon (Company Employee) Whitehall Plantation	907
182.6-S - L. L. Ricks (Company Employee) Woodville, Miss. T.B. Station	295
219-S - Brook Compressor Station, Ferriday, La. (Engine Fuel and Domestic)	454,725
- Miscellaneous Terminated Company Use	795
Total Company Use	457,410
TOTAL DELIVERED FROM MAIN TRANSMISSION LINE	50,375,660
TOTAL DELIVERED FROM GAS RECEIVED IN MONROE AND RICHLAND GAS FIELD	74,161,132
FROM GAS RECEIVED IN UNIVERSITY FIELD	
Delivered to Town Borders	
244-S - Gulf States Utilities Co. - Baton Rouge, La. Town Border	72,212
TOTAL DELIVERED FROM GAS RECEIVED IN UNIVERSITY FIELD	72,212
***FROM GAS RECEIVED INTO LA FITTE PIPE LINE SYSTEM FROM LA FITTE FIELD**	
Delivered to Direct Industrials and Town Borders	
263-S - Louisiana Power and Light Co. - Morrero, La. Town Border	59,600
Total Delivered To Town Borders	59,600
TOTAL DELIVERED FROM GAS RECEIVED INTO LA FITTE PIPE LINE SYSTEM	59,600

641



FROM GAS RECEIVED IN UNIVERSITY FIELD	
Delivered to Town Borders	
244-S - Gulf States Utilities Co. - Baton Rouge, La. Town Border	72,212
TOTAL DELIVERED FROM GAS RECEIVED IN UNIVERSITY FIELD	72,212
*FROM GAS RECEIVED INTO LA FITTE PIPE LINE SYSTEM FROM LA FITTE FIELD	
Delivered to Direct Industrials and Town Borders	
263-S - Louisiana Power and Light Co. - Merrero, La. Town Border	59,600
Total Delivered To Town Borders	59,600
TOTAL DELIVERED FROM GAS RECEIVED INTO LA FITTE PIPE LINE SYSTEM	59,600
FROM GAS DELIVERED BY UNITED GAS PIPE LINE CO. TRANSMISSION SYSTEM TO CUSTOMERS OF INTERSTATE NATURAL GAS CO., INC. BETWEEN BATON ROUGE, LA. AND DESTREHAN, LA.	
Delivered to Direct Industrials and Town Borders	
243-S - Suburban Utilities, Inc. - Baton Rouge Airport and Subdivision	21,838
244-S - Gulf States Utilities Co. - Ramswold Plantation	765
248-S - Village of Gonzales - Gonzales, La. Town Border	9,085
249-S - De Blanc-Kay Lbr. Co. - Sawmill Camp Town Border	1,015
251-S - Colonial Sugars Co. - Industrial	715,422
253-S - Godchaux Sugars, Inc. - Industrial	1,926,209
254-S - Reserve Public Utilities Co. - Reserve, La. Town Border	12,750
256-S - The La Place Gas & Fuel Co., Inc. - La Place, La. Town Border	6,136
257-S - Norco Gas & Fuel Co., Inc. - Norco, La. Town Border	14,316
258-S - Shell Oil Co., Inc. - Industrial, Norco, La.	557,476
260-S - Norco Gas & Fuel Co., Inc. - New Sarpy, La. Town Border	586
261-S - Norco Gas & Fuel Co., Inc. - Destrehan, La. Town Border	1,731
Total Delivered to Direct Industrials and Town Borders	3,267,329
TOTAL DELIVERED FROM GAS RECEIVED FROM U.G.P.C. CO. BETWEEN BATON ROUGE, LA. AND DESTREHAN, LA.	3,267,329
TOTAL GAS DELIVERED	77,560,273

*Includes gas delivered by I. N. G. Co., Inc. for Account of other Companies.
*Volumes of gas shown represent total operations.
I.N.G. Co., Inc. owns 50%, U.G.P.L. Co. owns 50%

Docket G-149.

Gas Balance.

The tabulation of production in the gas balance represents a summary of gas produced by the Interstate company from 1926 through 1940 on an annual basis by individual wells. The production as shown is on a uniform pressure basis of 14.4 pounds atmosphere plus 10-ounce base with assumed temperature of 60° Fahrenheit and a specific gravity of .60. This is the pressure basis prescribed by the Louisiana Department of Minerals and has been adopted in this exhibit as a uniform basis of measurement in a presentation of all of the analyses of the operations of the Interstate company.

The summary of gas shows the metered production of the company's wells as per company books and in accordance with the production as filed with the Louisiana State Department of Minerals plus gas used by the Interstate company in its Monroe Field operations.

The production of gas used in company operations was not reported to the Louisiana Department of Minerals and is not contained in the production records of the Interstate company since the company has the privilege of using gas for drilling purposes without payment of royalty or taxes. A portion of this gas was metered while some of it was estimated by members of the company's staff in Monroe, Louisiana, and by me.

The total gas tabulated has been considered to be gas produced by the company and is included as gas received in the gas balance. This total volume of gas has also been used as a basis of depletion.

It will be noted that production is shown for the years of 1929, 1940, 1941, and 1932 for company well numbers 30, 31, 32, 33, 34, and 35. The production of these wells during these years has been considered to be Interstate company production in accordance with recommendations of the Federal Power Commission's Examiners of Accounts since Mr. Edwin S. Hall acted as agent for the company in the purchase of these wells.

The following Schedules I to XII, inclusive, present a gas balance showing by years from 1926 through 1941 the total gas received by the company and the total gas delivered by the company in all of its operations in the States of Louisiana and Mississippi. All of the volumes are shown by points of metering and by location of gas received or name of consumer.

At my request, the Interstate Natural Gas Company supplied a metering statement for each point of metering on its entire system from 1926 through 1941. After receiving this information from the Interstate company, I assigned a number to each point of metering for reference purposes as shown in the tabulation of the gas balance.

All of the volumes of gas supplied to me by the company are the total volumes of gas which passed through each point of metering regardless of basis of billing.

After receiving these volumes of gas from the company, I requested the company to indicate on their company maps the exact location of each point of metering. I have indicated on the maps which are in this Exhibit the locations of points of metering.

An examination of the newly developed operations of the Interstate company in the University Gas Field indicated that the Interstate company purchases gas in that field and a part of this gas is delivered at a town border station for the City of Baton Rouge, Louisiana, and the remainder of the gas purchased in the University Field is delivered to the main transmission pipe line of United Gas Pipe Line Company between Baton Rouge, Louisiana, and New Orleans, Louisiana. Since the Interstate company has a town border station for the City of Baton Rouge, Louisiana, on the opposite side of the city from the University Field town border station, I decided that the deliveries from the main line were contingent upon the deliveries made by the University Field to the City of Baton Rouge, and that this portion of the University Field operations is a part of the main transmission.

As shown in the gas balance summary, there has been a gain in the pipe line system rather than a loss as reflected by the total gas received and the total gas delivered by the Interstate company. This is a very unusual condition to find in the operations of a gas company since it is the usual rule that there is experienced a loss of gas by the company in the operation of its plant between the points where gas is received and where gas is delivered.

After discussing this gain with the Interstate company and other companies operating in and out of the Monroe Gas Field, I find that this same condition is prevalent among other operators. I inquired of these companies to which they attributed this system gain, and after talking to engineers and operators of all of these systems, I find that various reasons have been given as to the cause, two of which are (1) that there is a devi-

ation factor due to the supercompressibility of the gas under the higher pressure at which it is measured at the Monroe Gas Field and a lower supercompressibility at the lower pressures at which it is measured at the points of delivery, (2) that the State Department of Minerals does not require the operators in the Monroe Gas Field to make temperature and gravity corrections to the gas when measuring it in the field, whereas the majority of the volume of gas at the point of delivery has these corrections applied to it.

In addition to talking to the companies concerning the matter of gain in volume of gas in the operations of the companies operating out of the Monroe Gas Field, I conferred with the State Department of Minerals and found that companies report this gain to the Department of Minerals.

Docket G-149

INTERSTATE NATURAL GAS CO., INC.

GAS BALANCE

In MCF - 1926 Through 1941

(Pressure Base: 14.4 Lbs. Atmos. plus 10 Oz.)

	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	Total
SUMMARY OF GAS RECEIVED																	
MONROE GAS FIELD																	
Produced	5,714,398	790,549	363,620	1,232,811	2,558,803	3,273,158	3,343,173	2,407,090	3,435,726	8,069,501	12,871,998	24,242,542	25,399,871	30,743,475	25,792,564	28,819,814	170,009,00
Purchased and Exchanged	79,597	21,912,402	26,871,469	23,782,794	14,844,103	11,742,068	12,079,989	19,610,771	23,800,917	27,133,545	29,138,282	24,311,005	24,209,128	24,627,794	24,902,762	25,913,967	334,964,00
Received for Transportation	-	-	2,046,439	5,264,276	-	-	-	832,306	5,273,508	7,596,655	10,784,365	12,745,247	14,677,146	15,319,099	14,347,366	14,482,341	103,569,00
TOTAL MONROE GAS FIELD	5,793,995	22,702,951	29,281,528	30,279,881	17,402,906	15,015,226	15,423,162	22,850,167	32,510,151	42,799,701	52,794,645	61,298,794	64,286,145	70,690,368	64,842,692	69,216,222	617,538,00
RICHLAND GAS FIELD																	
Purchased	-	-		2,880,234	11,244,531	11,693,701	6,919,224	931,946	-	-	-	-	-	239,662	-	-	33,909,00
Received for Transportation and Exchange	-	-	-	7,410,023	12,962,430	12,598,009	12,116,592	11,198,814	8,215,487	6,715,941	5,580,951	6,317,679	4,324,237	2,264,939	-	-	89,705,00
TOTAL RICHLAND GAS FIELD	-	-	-	10,290,257	24,206,961	24,291,810	19,035,816	12,130,760	8,215,487	6,715,941	5,580,951	6,317,679	4,324,237	2,504,601	-	-	123,614,00
UNIVERSITY FIELD																	
Purchased	-	-	-	-	-	-	-	-	-	-	-	-	-	71,555	2,868,967	4,907,994	7,848,00
LA PICE FIELD																	
Purchased	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,073,154	2,141,085	4,214,00
LA PLACE FIELD																	
Purchased	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,049,306	1,369,608	2,418,00
LIRETTE PIPE LINE SYSTEM																	
Raceland Field - Gas Purchased	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	406,051	406,00
Lake Long Field - Gas Purchased	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,539,138	3,363,276	5,102,00
Lirette Field - Gas Purchased	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,720,020	5,168,642	6,888,00
DuLarge Field - Gas Purchased	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	728,125	728,00
TOTAL LIRETTE PIPE LINE SYSTEM	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,259,966	10,246,094	13,506,00
LA FITTE PIPE LINE SYSTEM																	
La Fitte Field - Gas Purchased	-	-	-	-	-	-	-	-	-	-	-	-	-	57,570	1,612,218	1,850,096	3,519,00
GAS RECEIVED FROM UNITED GAS PIPE LINE COMPANY SYSTEM BETWEEN BATON ROUGE AND DESTREHAN, LA.	-	-	2,724,002	3,087,168	2,685,837	2,588,646	- 2,448,122	2,233,203	2,498,981	2,978,407	3,174,476	3,511,720	3,142,951	3,267,329	4,983,567	4,840,354	44,165,00
TOTAL GAS RECEIVED	5,793,995	22,702,951	32,005,530	43,657,306	44,295,744	41,895,682	36,907,100	37,214,430	43,224,619	52,494,049	61,550,072	71,128,193	71,753,333	76,591,223	80,689,870	94,571,953	816,476,00
SUMMARY OF GAS DELIVERED																	
DELIVERED IN MONROE GAS FIELD	5,266,258	5,543,467	6,438,827	8,157,094	8,847,893	10,005,258	10,251,281	11,586,054	12,873,819	15,926,998	17,943,117	23,215,469	22,772,384	23,785,472	22,248,779	25,345,636	220,457,00
DELIVERED FROM MAIN TRANSMISSION LINE - MONROE GAS FIELD TO BATON ROUGE, LA.	-	17,643,101	23,686,086	33,773,148	33,945,613	30,470,699	25,351,143	24,512,059	28,909,409	35,182,585	41,882,922	45,789,872	47,065,368	50,375,660	43,811,714	45,018,415	527,415,00
DELIVERED FROM GAS RECEIVED FROM UNIVERSITY FIELD	-	-	-	-	-	-	-	-	-	-	-	-	-	72,212	2,954,414	5,056,057	8,082,00
DELIVERED FROM GAS RECEIVED FROM LA PICE FIELD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,090,599	2,174,876	4,265,00
DELIVERED FROM GAS RECEIVED FROM LA PLACE FIELD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,049,338	1,369,837	2,419,00
DELIVERED FROM LIRETTE PIPE LINE SYSTEM FROM GAS RECEIVED FROM RACELAND, LAKE LONG, LIRETTE AND DU LARGE FIELDS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,266,132	10,429,530	13,695,00
DELIVERED FROM LA FITTE PIPE LINE SYSTEM FROM GAS RECEIVED FROM LA FITTE FIELDS	-	-	-	-	-	-	-	-	-	-	-	-	-	59,600	1,645,258	1,907,570	3,612,00
GAS DELIVERED FROM GAS RECEIVED FROM UNITED GAS PIPE LINE COMPANY SYSTEM BETWEEN BATON ROUGE AND DESTREHAN, LA.	-	-	2,724,002	3,087,168	2,685,837	2,588,646	2,448,122	2,233,203	2,498,981	2,978,407	3,174,476	3,511,720	3,142,951	3,267,329	4,983,567	4,840,354	44,165,00
TOTAL GAS DELIVERED	5,266,258	23,186,568	32,848,915	45,017,410	45,479,343	43,064,603	38,050,546	38,331,316	44,282,209	54,087,990	63,000,515	72,547,061	72,980,703	77,560,273	82,069,818	96,140,575	893,586,00
NET LOSS OR GAIN	(527,737)	483,617	843,385	1,360,104	1,183,699	1,168,921	1,143,446	1,116,886	1,057,590	1,593,941	1,450,443	1,418,868	1,227,370	989,050	1,859,948	1,568,622	17,110,00
PERCENT LOSS OR GAIN (Based on Receipts)	(9.11)	2.13	2.64	4.12	2.67	2.75	3.10	3.00	2.45	3.04	2.36	1.99	1.71	1.27	1.69	1.66	2.10

Note: Volumes of gas shown represent total operations.

In MCF - 1956 Through 1961

(Pressure Base: 14.6 Lbs. Absol. plus 10 Oz.)

Meter Point No.	L.P.G. Co. Well No.	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	Total
1	1	218,978	1,808	-	30,884	2,400	-	-	-	-	45,172	204,288	239,956	182,860	137,708	128,759	705,481	1,389,987
2	2	612,099	6,822	-	10,677	-	-	-	-	-	373,119	828,711	787,365	619,903	404,923	269,122	222,898	3,982,686
3	3	722,867	7,240	6,178	13,096	-	-	48,283	26,008	77,998	641,758	875,036	801,221	861,215	580,690	212,184	4,677,552
4	4	665,530	1,783	-	1,972	-	-	58,838	-	80,781	238,614	408,367	468,874	619,494	600,947	563,675	494,921	4,106,930
5	5	580,908	-	-	1,628	-	-	28,149	-	57,697	123,938	320,960	470,998	398,497	387,019	384,389	107,936	2,828,541
6	6	987,644	4,842	98,008	34,046	32,554	22,569	304,311	9,499	130,621	448,851	691,894	788,804	621,406	432,205	306,642	172,637	4,796,241
7	7	600,852	19,914	1,808	40,615	26,080	14,058	175,834	11,397	143,580	681,998	844,988	730,643	619,637	388,108	288,088	169,291	4,196,493
8	8	1,308,130	620,821	210,811	69,828	108,588	171,228	188,283	78,188	291,804	961,080	982,289	868,980	809,141	784,731	804,988	328,286	7,636,115
9	9	112,072	99,845	13,198	2,541	-	-	111,808	19,088	90,884	110,489	196,089	198,278	163,988	116,246	79,495	113,416	1,361,212
10	10	-	18,287	-	-	-	-	-	-	-	38,788	88,385	208,409	137,154	148,238	98,138	181,814	879,194
11	12	-	-	46,885	91,888	234,990	187,062	138,111	173,708	188,308	219,380	187,006	287,677	221,788	201,809	200,073	182,837	2,610,190
12	13	-	-	-	8,100	128,887	220,982	201,486	182,778	193,134	224,489	259,855	301,902	282,898	240,814	188,687	241,288	2,806,826
13	14	-	-	-	13,000	-	-	-	-	-	17,145	181,712	238,753	159,184	171,843	121,784	144,632	1,048,807
14	15	-	-	-	272,880	168,887	234,607	198,780	182,849	206,494	430,978	327,388	219,675	184,308	109,725	111,098	88,882	2,676,631
15	16	-	-	-	12,000	119,086	84,281	6,817	-	13,313	105,182	280,888	347,910	287,358	244,757	182,438	288,088	1,820,660
16	17	-	-	-	-	80,885	83,281	-	-	-	-	-	-	-	-	-	-	164,488
17	18	-	-	-	-	188,897	188,840	-	-	-	-	-	-	-	-	-	-	332,337
18	19	-	-	-	-	194,898	180,800	-	-	-	-	-	-	-	-	-	-	334,498
19	20	-	-	-	-	188,628	188,884	-	-	-	-	-	-	-	-	-	-	324,870
20	21	-	-	-	238,219	121,892	238,898	181,759	169,408	228,718	944,900	188,191	178,084	121,888	121,881	118,808	114,884	2,894,222
21	22	-	-	-	-	68,848	128,181	123,889	109,858	188,028	188,848	173,170	108,028	-	-	-	-	1,088,894
22	23	-	-	-	-	10,800	112,868	134,778	80,814	19,538	184,888	167,828	217,008	288,887	189,888	148,821	127,822	1,728,424
23	24	-	-	-	-	181,178	22,088	8,888	-	8,978	97,888	248,888	209,088	278,428	187,828	288,048	1,771,807
24	25	-	-	-	-	188,828	21,880	8,488	-	14,888	98,844	218,048	242,128	288,238	198,788	148,184	847,788	1,721,718
25	26	-	-	-	-	-	118,888	188,178	1,487	18,882	148,978	178,874	248,838	288,128	188,888	188,288	188,888	1,711,078
26	27	-	-	-	-	-	-	-	-	-	48,188	118,888	188,888	188,788	188,888	188,488	184,218	978,871
27	28	-	-	-	-	-	-	88,888	148,888	178,288	281,788	248,878	818,188	282,848	218,778	282,888	868,842	2,188,172
28	29	-	-	-	-	-	-	78,888	147,788	148,888	282,288	248,878	248,481	288,188	288,888	288,888	888,818	2,280,888
29	30	-	-	-	188,888	288,288	181,844	178,888	188,888	172,888	188,828	178,488	288,128	228,887	188,788	182,878	142,878	2,588,888
30	31	-	-	-	218,818	218,888	882,788	888,888	881,778	948,887	1,182,788	1,088,888	1,118,147	888,727	888,222	888,788	1,184,888	9,888,888
31	32	-	-	-	8,888	182,782	187,188	178,887	178,818	184,888	188,882	188,887	288,887	287,118	288,887	184,881	888,878	2,288,178
32	33	-	-	-	-	88,288	178,488	188,788	288,881	188,888	288,282	188,888	288,888	288,818	288,888	188,888	288,888	2,887,888
33	34	-	-	-	-	-	-	-	-	-	-	-	178,888	288,188	888,178	888,888	888,118	1,888,188
34	35	-	-	-	-	-	-	118,218	78,887	-	78,118	218,888	888,188	271,888	284,888	888,888	888,118	1,788,188
35	37	-	-	-	-	-	-	-	-	-	188,888	188,888	178,888	142,488	188,888	177,871	181,848	1,128,988
36	38	-	-	-	-	-	-	-	-	-	488,888	488,881	888,888	888,888	878,888	278,887	887,188	3,178,888
37	39	-	-	-	-	-	-	-	-	-	248,888	818,878	278,888	188,888	188,881	188,888	888,788	1,888,887
38	388	-	-	-	-	-	-	-	-	-	118,888	111,888	88,888	88,888	87,888	112,887	818,888	
39	40	-	-	-	-	-	-	-	-	-	188,888	188,888	188,888	188,888	188,888	188,888	188,888	
40	41	-	-	-	-	-	-	-	-	-	888,888	888,888	888,888	888,888	888,888	888,888	888,888	
41	42	-	-	-	-	-	-	-	-	-	888,888	888,888	888,888	888,888	888,888	888,888	888,888	
42	43	-	-	-	-	-	-	-	-	-	888,888	888,888	888,888	888,888	888,888	888,888	888,888	
43	44	-	-	-	-	-	-	-	-	-	888,888	888,888	888,888	888,888	888,888	888,888	888,888	
44	45	-	-	-	-	-	-	-	-	-	888,888	888,888	888,888	888,888	888,888	888,888	888,888	
45	46	-	-	-	-	-	-	-	-	-	888,888	888,888	888,888	888,888	888,888	888,888	888,888	
46	47	-	-	-	-	-	-	-	-	-	888,888	888,888	888,888	888,888	888,888	888,888	888,888	
47	48	-	-	-	-	-	-	-	-	-	888,888	888,888	888,888	888,888	888,888	888,888	888,888	
48	49	-	-	-	-	-	-	-	-	-	888,888	888,888	888,888	888,888	888,888	888,888	888,888	
49	50	-	-	-	-	-	-	-	-	-	888,888	888,888	888,888	888,888	888,888	888,888	888,888	
50	51	-	-	-	-	-	-	-	-	-	888,888	888,888	888,888	888,888	888,888	888,888	888,888	
51	52	-	-	-	-	-	-	-	-	-	888,888	888,888	888,888	888,888	888,888	888,888	888,888	
52	53	-	-	-	-	-	-	-	-	-	888,888	888,888	888,888	888,888	888,888	888,888	888,888	
53	54	-	-	-	-	-	-	-	-	-	888,888	888,888	888,888	888,888	888,888	888,888	888,888	
54	55	-	-	-	-	-	-	-	-	-	888,888	888,888	888,888	888,888	888,888	888,888	888,888	
55	56	-	-	-	-	-	-	-	-	-	888,888	888,888	888,888	888,888	888,888	888,888	888,888	

Docket 6-169

GAS RECEIVED FROM GAS PRODUCED BY I.M.O. CO., INC. IN MONROE GAS FIELD - CONT'D.

In MCF - 1926 through 1941

(Pressure Base: 14.4 Lbs. Atmos. plus 10 Oz.)

Ft. Meter Point No.	I.M.O. Co. Well No.	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	Total
56	57	-	-	-	-	-	-	-	-	-	-	-	1,014,923	638,856	760,103	732,061	550,153	3,700,096
57	58	-	-	-	-	-	-	-	-	-	-	-	334,662	193,088	273,395	161,843	683,224	1,646,106
58	59	-	-	-	-	-	-	-	-	-	-	-	163,922	246,742	187,997	213,791	134,970	946,822
59	60	-	-	-	-	-	-	-	-	-	-	-	241,845	282,352	220,275	304,926	123,068	1,091,416
60	61	-	-	-	-	-	-	-	-	-	-	-	611,208	481,630	508,628	281,208	541,998	2,404,687
61	62	-	-	-	-	-	-	-	-	-	-	-	887,081	686,263	897,631	867,096	387,702	3,344,782
62	63	-	-	-	-	-	-	-	-	-	-	-	144,309	183,866	183,419	177,619	271,015	960,217
63	64	-	-	-	-	-	-	-	-	-	-	-	92,048	531,898	644,382	370,136	500,312	2,098,971
64	65	-	-	-	-	-	-	-	-	-	-	-	47,086	483,272	868,631	334,701	504,848	1,936,292
65	66	-	-	-	-	-	-	-	-	-	-	-	251	610,421	676,633	510,118	686,579	2,283,902
66	67	-	-	-	-	-	-	-	-	-	-	-	290	482,368	841,592	604,813	753,191	2,682,301
67	68	-	-	-	-	-	-	-	-	-	-	-	188,951	437,886	442,648	301,780	337,898	1,663,453
68	69	-	-	-	-	-	-	-	-	-	-	-	132,014	525,989	474,349	261,753	294,647	1,688,752
69	70	-	-	-	-	-	-	-	-	-	-	-	104,732	467,749	250,352	282,618	326,977	1,518,128
70	71	-	-	-	-	-	-	-	-	-	-	-	97,905	366,737	315,594	276,330	445,199	1,498,225
71	72	-	-	-	-	-	-	-	-	-	-	-	126,099	543,148	450,883	343,346	323,400	1,784,976
72	73	-	-	-	-	-	-	-	-	-	-	-	49,890	502,941	344,881	349,033	317,821	1,163,766
73	74	-	-	-	-	-	-	-	-	-	-	-	230	386,206	618,736	321,987	179,408	1,306,569
74	75	-	-	-	-	-	-	-	-	-	-	-	198,739	709,843	880,908	786,809	487,161	3,011,965
75	76	-	-	-	-	-	-	-	-	-	-	-	-	32,401	188,197	181,280	108,893	507,971
76	77	-	-	-	-	-	-	-	-	-	-	-	107,121	476,842	838,686	753,989	908,347	2,899,683
77	78	-	-	-	-	-	-	-	-	-	-	-	-	163,424	210,866	204,827	242,616	827,732
78	79	-	-	-	-	-	-	-	-	-	-	-	28,881	102,490	99,540	107,108	140,084	477,763
80	81	-	-	-	-	-	-	-	-	-	-	-	-	108,908	188,274	189,719	230,819	712,457
													-	114,082	280,698	243,482	249,494	887,806
81	82	-	-	-	-	-	-	-	-	-	-	-	-	78,457	217,982	208,168	216,431	713,038
82	83	-	-	-	-	-	-	-	-	-	-	-	-	40,281	85,899	89,825	154,433	370,918
83	84	-	-	-	-	-	-	-	-	-	-	-	-	82,010	296,667	275,869	316,194	941,250
84	85	-	-	-	-	-	-	-	-	-	-	-	-	88,318	480,008	416,001	594,327	1,986,641
85	86	-	-	-	-	-	-	-	-	-	-	-	-	80,979	306,295	275,862	223,908	886,630
86	87	-	-	-	-	-	-	-	-	-	-	-	-	72,660	484,368	387,877	217,796	1,084,098
87	88	-	-	-	-	-	-	-	-	-	-	-	-	107,652	704,087	382,281	564,860	1,758,880
88	89	-	-	-	-	-	-	-	-	-	-	-	-	63,288	782,319	641,814	386,554	1,873,975
90	91	-	-	-	-	-	-	-	-	-	-	-	-	-	825,678	499,488	372,567	1,697,733
													-	-	807,675	640,889	781,118	1,879,682
91	92	-	-	-	-	-	-	-	-	-	-	-	-	-	186,571	218,171	277,365	682,107
94	95	-	-	-	-	-	-	-	-	-	-	-	-	-	73,817	201,087	129,583	404,487
95	96	-	-	-	-	-	-	-	-	-	-	-	-	-	89,883	334,709	138,045	562,647
96	97	-	-	-	-	-	-	-	-	-	-	-	-	-	-	278,082	188,929	466,011
													-	-	-	144,121	187,987	332,108
98	99	-	-	-	-	-	-	-	-	-	-	-	-	-	-	88,909	182,108	271,018
97	98	-	-	-	-	-	-	-	-	-	-	-	-	-	-	88,816	201,280	290,096
98	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	80,127	236,687	316,814
100	101	-	-	-	-	-	-	-	-	-	-	-	-	-	-	42,062	279,830	321,892
													-	-	-	74,188	229,686	303,874
101	102	-	-	-	-	-	-	-	-	-	-	-	-	-	-	46,700	187,083	232,783
102	103	-	-	-	-	-	-	-	-	-	-	-	-	-	-	37,764	196,249	234,013
Total																		

Docket G-149

GAS RECEIVED FROM GAS PRODUCED BY I.N.G. CO., INC. IN MONROE GAS FIELD - CONT'D.

In MCF - 1926 Through 1941

(Pressure Base: 14.4 Lbs. Atmos. plus 10 Oz.)

Meter Point No.	I.N.G. Co. Well No.	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	Total
-	104	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	73,893	73,893
-	105	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	73,519	73,519
-	106	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	107,997	107,997
-	107	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	101,600	101,600
-	108	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,883	5,883
-	109	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	43,774	43,774
-	110	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	37,487	37,487
-	111	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	34,320	34,320
-	112	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	134	134
-	113	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,987	5,987
-	114	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	91,528	91,528
-	115	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	93,822	93,822
TOTAL		6,714,398	790,849	363,620	1,232,811	2,558,908	3,173,188	3,943,173	2,407,080	3,435,726	8,069,801	12,871,998	24,242,542	25,399,871	30,743,475	25,792,564	28,319,814	179,089,092

Docket G-149

GAS RECEIVED THROUGH PURCHASE AND EXCHANGE IN MONROE GAS FIELD

In MCF - 1926 Through 1941

(Pressure Base: 14.4 Lbs. Atmos. plus 10 Oz.)

Meter Point No.	Received From	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940
103-P	Fred Stovall - Well No. 1	-	-	-	-	-	137,557	182,632	182,572	184,306	191,983	190,246	194,209	184,606	178,382	186,276
104-P	Louisiana Gas Lands, Inc. - Stephenson No. 1	-	-	-	-	-	38,137	157,647	138,692	151,068	159,263	149,927	146,951	163,812	157,774	168,211
105-P	J. B. Bond - Baumgarten No. 1	-	-	-	-	293,879	300,968	278,588	259,025	236,658	212,555	177,654	150,304	115,872	107,291	112,405
106-P	" " " - " No. 2	-	-	-	-	287,468	264,998	234,230	224,807	203,497	176,497	144,793	122,265	88,107	85,070	96,359
107-P	Arent & Gunby - Hunter McCormick No. 2	-	-	-	-	-	-	135,614	164,312	122,089	-	-	-	-	-	-
108-P	Arent & Gunby - Hunter McCormick No. 3	-	-	-	-	-	-	162,506	283,140	236,836	-	-	-	-	-	-
109-P	" " " - " " " No. 4	-	-	-	-	-	-	156,893	273,408	247,145	-	-	-	-	-	-
110-P	" " " - " " " No. 5	-	-	-	-	-	-	157,783	263,848	198,166	-	-	-	-	-	-
117-P	Maury Drilling Co. - McEwen No. 3	20,137	365,172	425,927	471,583	408,030	293,265	253,996	277,690	267,708	214,468	172,180	53,372	-	-	-
118-P	" " " - " " No. 4	25,346	548,652	456,540	441,284	413,032	349,883	338,248	336,946	340,502	320,827	251,609	78,076	-	-	-
119-P	Maury Drilling Co. - McEwen No. 5	-	-	-	-	32,254	228,745	230,650	206,197	214,258	209,179	167,089	50,348	-	-	-
120-P	" " " - Frierson No. 2	-	216,665	296,964	345,598	331,090	300,839	277,954	279,655	279,420	259,504	209,762	61,317	-	-	-
121-P	" " " - " No. 5	-	-	-	-	-	-	-	-	-	64,015	182,375	51,843	-	-	-
122-P	Hatcher & Evans - Hatcher No. 3	8,989	346,617	393,438	351,684	310,750	312,174	303,140	281,769	307,528	231,711	184,004	52,409	-	-	-
123-P	" " " - " No. 4	21,738	378,980	328,813	325,932	278,374	310,983	265,120	262,891	283,783	195,372	144,330	40,654	-	-	-
124-P	Hatcher & Evans - Hatcher No. 5	3,387	409,202	429,504	411,468	352,530	354,981	342,729	351,298	357,302	306,577	229,344	63,434	-	-	-
125-P	" " " - " No. 8	-	-	-	175,621	235,540	192,264	188,676	203,838	173,917	128,579	101,795	30,565	-	-	-
126-P	" " " - " No. 11	-	-	-	-	-	-	-	-	-	229,313	357,570	109,377	-	-	-
127-P	Southern Carbon Co. - Perryville No. 1 Station	-	4,963,488	6,383,148	5,638,722	667,930	447,189	419,926	150,629	722,427	441,320	175,611	-	-	-	-
128-P	" " " - " " No. 2 "	-	-	813,868	5,055,072	1,000,316	10,097	251,610	2,847,059	5,592,291	6,039,114	2,697,114	334,443	4,125,974	2,559,237	4,971,683
129-P	Southern Carbon Co. - Fairbanks Station	-	1,816,819	3,404,368	1,411,052	677,175	16,336	8,622	1,034,293	752,406	3,337,673	6,932,308	*5,180,602	*5,841,896	*7,615,301	*7,738,005
130-P	" " " - Guthrie "	-	-	-	-	-	-	-	-	-	-	2,619,149	4,649,746	189,989	280,882	126,926
136-P	United Carbon Co. - P-1 Station	-	7,047,348	8,196,562	7,531,906	7,274,989	7,340,442	7,364,464	9,258,483	9,529,698	8,026,624	4,547,074	3,878,373	4,008,194	3,963,145	4,087,489
137-P	" " " - P-13 "	-	590,200	-	-	-	-	-	397,796	1,974,233	3,988,266	6,941,168	*5,672,767	*5,833,271	*5,843,687	*5,587,128
138-P	" " " - Rabun No. 1	-	-	186,770	598,596	390,167	-	-	-	-	-	-	-	-	-	-
145-P	United Carbon Co. - Rabun No. 2 - Exchange Gas	-	-	-	-	-	-	-	-	-	-	-	-	6,311	177,414	185,113
-	" " " Drilling Well No. 96	-	-	-	-	-	-	-	-	-	-	-	-	-	1,639	-
-	" " " " " " 96	-	-	-	-	-	-	-	-	-	-	-	-	-	1,532	-
146-P	United Gas Pub. Serv. Co.-J.T.Cole No. 1	-	169,021	342,682	360,341	313,365	150,940	7,027	-	-	-	-	-	-	-	-
147-P	" " " " " " No. 2	-	256,880	330,947	324,118	301,188	146,353	6,744	-	-	-	-	-	-	-	-
148-P	United Gas Pub. Serv. Co.-J.T.Cole No. 3	-	156,447	447,217	318,143	323,708	140,319	5,178	-	-	-	-	-	-	-	-
149-P	" " " " " " No. 4	-	14,705	312,244	325,108	289,391	124,798	3,072	-	-	-	-	-	-	-	-
150-P	" " " " " -Kate Cole No. 1	-	336,752	241,678	58,592	-	-	-	-	-	-	-	-	-	-	-
151-P	" " " " " " No. 2	-	342,180	344,737	179,822	277,277	105,336	7,521	-	-	-	-	-	-	-	-
152-P	" " " " " " No. F	-	-	42,792	24,541	-	-	-	-	-	-	-	-	-	-	-
153-P	United Gas Pub. Serv. Co. - Kate Cole No. 4	-	-	179,387	185,542	80,184	26,128	-	-	-	-	-	-	-	-	-
154-P	" " " " - Hilsaps No. 2	-	691,331	542,946	194,127	305,469	117,753	5,695	-	-	-	-	-	-	-	-
155-P	" " " " " No. 3	-	1,336,300	930,114	320,819	-	-	-	-	-	-	-	-	-	-	-
156-P	" " " " " No. 4	-	738,070	1,063,716	302,908	-	-	-	-	-	-	-	-	-	-	-
157-P	" " " " - Potts No. 2	-	99,714	-	-	-	-	-	-	-	-	-	-	-	-	-
158-P	United Gas Pub. Serv. Co. - Central Imigration No. 1	-	1,198,179	777,087	350,218	-	-	-	-	-	-	-	-	-	-	-
160-P	Hope Producing Co.-Cole Meter Sta.-Exchange Gas	-	-	-	-	-	-	-	-	194,420	1,080,782	1,201,994	1,928,078	2,437,800	2,302,240	2,251,712
161-P	" " " " " -Purchase Gas	-	-	-	-	-	-	-	87,480	1,114,753	1,107,757	1,110,792	1,107,757	1,107,757	1,107,757	1,110,792
164-P	" " " - Guthrie Station	-	-	-	-	-	-	218,674	1,710,106	-	-	-	-	-	-	-
167-P	" " " - U. S. Government No. 1	-	-	-	-	-	31,583	118,048	136,188	146,518	212,166	280,396	356,115	305,838	256,443	310,883
	TOTAL	79,597	21,912,402	26,871,469	23,782,754	14,844,108	11,742,068	12,079,969	19,610,771	23,800,917	27,133,545	29,138,282	24,311,006	24,209,128	24,627,794	24,902,762

* Includes exchange gas

GAS RECEIVED FOR TRANSPORTATION THRO... ROE GAS FIELD
In MCF - 1926 through 1940
(Pressure Base: 14.4 Lbs. Atmos. plus 10 Oz.)

SCHEDULE IV

Sheet 6-149

	1938	1939	1940	1941	Total
	184,606	178,382	186,276	160,941	1,943,30
	163,812	157,774	168,211	158,964	1,890,43
	115,872	107,291	112,406	93,578	2,338,77
	88,107	86,070	96,369	130,113	2,087,90
	-	-	-	-	422,01
	-	-	-	-	882,48
	-	-	-	-	677,14
	-	-	-	-	819,77
	-	-	-	-	3,223,52
	-	-	-	-	3,900,94
	-	-	-	-	1,338,72
	-	-	-	-	2,858,70
	-	-	-	-	298,23
	-	-	-	-	3,084,21
	-	-	-	-	2,806,87
	-	-	-	-	3,611,75
	-	-	-	-	1,430,78
	-	-	-	-	896,26
	-	-	-	-	18,000,39
	4,125,974	2,559,237	2,971,483	4,304,363	38,602,04
	•5,641,695	•7,615,301	•7,738,005	•7,619,388	•83,188,24
	189,989	280,882	126,926	-	7,986,69
	4,008,194	3,953,145	4,087,489	3,327,492	95,370,26
	•5,833,271	•5,843,687	•5,567,128	•5,633,879	•42,462,30
	-	-	-	-	1,178,53
	6,311	177,414	185,113	238,743	607,56
	-	1,639	-	-	1,63
	-	1,532	-	-	1,53
	-	-	-	-	-,343,37
	-	-	-	-	1,366,01
	-	-	-	-	1,391,00
	-	-	-	-	1,049,31
	-	-	-	-	637,02
	-	-	-	-	1,256,87
	-	-	-	-	87,33
	-	-	-	-	471,24
	-	-	-	-	1,757,32
	-	-	-	-	2,567,23
	-	-	-	-	2,184,69
	-	-	-	-	99,71
	-	-	-	-	2,326,48
78	2,437,800	2,302,240	2,251,712	2,768,978	14,166,00
87	1,107,787	1,107,757	1,110,792	1,107,787	8,962,57
	-	-	-	-	1,926,08
15	305,538	256,443	310,063	369,773	2,492,61
05	24,209,128	24,627,794	24,902,762	28,913,567	334,960,19

Delivered for Exchan
133-P-Southern Car
134-P- " "
135-P- " "
140-P-United Carbon
141-P- " "
142-P-United Carbon
143-P- " "
144-P- " "
Total Gas Delivered

Delivered to Pipe Li
176-S-Southern Nat
177-S-Miss. River
178-S-United Gas P
Co. at Outh
179.1-S-United Gas
179-S-United Gas P

180-S-United Gas P
185-S-Spencer Gas
186-S-Columbian Ca
189-S-Union Pwr. C
190-S-Arkansas-Loui

191-S-United Gas P
Tunnie Sta.
192-S-La. Pwr. & L
193-S-Union Drillin
194-S-Sultana Drill
195-S-Stovall Drill

196-S-Crescent Dril
198-S-Federal Petro
198-S-Frost Lumber
197-S-Hamp Frisbee
198-S-Horseshoe Ca

199-S-S. D. Hunter
200-S-Magnolia Gas
201-S-E. A. McPhers
202-S-Palmer Corp.
203-S-J. J. Parks

204-S-Pelican Natur
205-S-Mary Schwab
206-S-Sid Simmons
207-S-Jordan & Comp
272-S-W. W. Corpora

Total Gas Del. to Pipe

Company Use
181-S-De Siard Stat
182-S-Gas From Well
182-S " " "
182-S " " "
182-S " " "

182-S-Gas From Well
182-S " " "
182-S " " "
182-S " " "
182-S " " "

182-S-Gas From Well
182.2-S-Spencer Comm
182.2-S-Spencer Lease
- United Carbon
- " "

- Drilling & Rep
- Testing & Repa
- Employees' Hou

Total Company Use

SCHEDULE IV

47	14,077,146	15,319,099	14,147,366	14,482,841	103,169,56

TOTAL GAS DELIVERED

Sheet 0-149

GAS DELIVERED: MONROE GAS FIELD

SCHEDULE IX

In MCF - 1926 Through 1941

(Pressure Base: 14.4 Lbs. Atmos. plus 16 Oz.)

	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	Total
Delivered for Exchange from I.N.G. Co. Wells																	
23-F-Southern Carbon Co. (from Well No. 8)	-	-	-	-	-	-	-	-	-	-	-	-	163,296	109,725	111,096	98,808	482,929
24-F- " " " (" " " 21)	-	-	-	-	-	-	-	-	-	-	-	-	130,896	121,601	118,609	116,338	487,104
25-F- " " " (" " " 86)	-	-	-	-	-	-	-	-	-	-	-	10,741	87,591	42,929	39,491	76,686	257,328
26-F-United Carbon Co. (" " " 34)	-	-	-	-	-	-	-	-	-	-	-	177,730	248,125	248,358	164,868	-	839,081
27-F- " " " (" " " 63)	-	-	-	-	-	-	-	-	-	-	-	144,309	183,555	183,419	148,629	-	660,212
32-F-United Carbon Co. (from Well No. 79)	-	-	-	-	-	-	-	-	-	-	-	26,881	102,490	99,848	80,206	-	710,625
33-F- " " " (" " " 81)	-	-	-	-	-	-	-	-	-	-	-	-	78,457	217,982	166,063	-	459,482
34-F- " " " (" " " 83)	-	-	-	-	-	-	-	-	-	-	-	-	40,601	98,309	73,815	-	209,465
Total Gas Delivered for Exchange from I.N.G. Co. Wells	-	-	-	-	-	-	-	-	-	-	-	361,361	1,001,673	1,118,771	902,789	291,832	3,706,426
Delivered to Pipe Line Companies and to Field Consumers																	
18-S-Southern Natural Gas Co. - Perryville Sta.	-	-	-	161,168	8,875	386,121	83,934	686,177	1,609,438	4,404,332	7,239,778	8,614,343	8,291,333	8,997,296	10,210,006	11,773,286	62,465,404
19-S-Miss. River Fuel Corp. - " "	-	-	-	56,761	1,843,438	2,288,235	2,806,494	2,881,307	2,173,161	2,104,361	4,313,483	7,419,148	6,334,306	6,889,336	6,840,063	8,260,092	53,160,130
20-S-United Gas P.L. Co. (For Memphis Natural Gas Co. at Guthrie Sta.)	-	-	-	-	2,680,778	2,860,240	2,107,635	2,030,613	2,322,570	2,642,689	3,208,322	3,894,433	4,144,427	4,433,088	3,611,660	4,240,818	38,254,557
19.1-S-United Gas P.L. Co.-Field Line Testing	-	-	-	-	-	-	-	-	-	-	-	462	-	-	-	-	462
19-S-United Gas P.L. Co.(I.N.G. Co. from Well No.96)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	273,082	190,221	466,303
20-S-United Gas P.L. Co.(I.N.G. Co. from Well No.96)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	104,181	168,602	-332,753
21-S-Spencer Gas Company	-	1,343	1,854	1,854	1,466	462	-	-	-	-	-	-	-	-	-	-	6,698
16-S-Columbian Carbon Co.-Union Pwr.Co.predecessor	1,434,641	4,176,901	4,144,799	4,698,156	146,276	-	-	-	-	-	-	-	-	-	-	-	14,486,772
17-S-Union Pwr. Co., Tr.-Spencer Carbon Plant	2,421,089	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,421,069
18-S-Arkansas-Louisiana Gas Co. - Pumce Sta.	-	-	-	82,313	405,684	450,257	504,302	363,266	428,868	378,965	404,229	409,857	401,215	371,181	-	-	4,200,677
18-S-United Gas P.L. Co.-Dixie Gulf Gas Co. - Pumcie Sta.	-	-	-	122,365	416,411	338,216	1,160,834	2,132,814	2,103,441	2,161,603	2,143,288	2,155,735	2,144,432	1,819,943	-	-	16,694,892
19-S-La. Pwr. & Lt. Co.-Sterlington Pwr. Plant	1,330,681	1,224,409	2,084,958	2,865,723	3,424,896	3,584,452	3,491,387	3,659,289	3,946,951	3,986,829	-	-	-	-	-	-	29,499,254
21-S-Union Drilling Company	-	-	-	350	-	-	-	-	-	-	-	-	-	-	-	-	350
18-S-Sultana Drilling Co. (from Well No. 12)	-	-	5,440	-	2,432	-	-	-	-	-	-	-	1,700	-	-	-	7,572
23-S-Stovall Drilling Co.	-	-	-	16,900	4,000	-	-	-	-	-	-	-	-	-	-	-	22,600
24-S-Crescent Drilling Co.	-	-	-	-	-	4,100	-	-	-	-	-	-	-	-	-	-	4,100
14-S-Federal Petroleum Co. (from Well No. 1)	-	-	-	-	-	-	-	-	-	-	35,663	-	-	-	-	-	35,663
15-S-Frost Lumber Industries (from Well No. 1)	-	12,264	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,264
27-S-Camp Frisbee-Summer Camp	120	375	360	360	360	360	180	30	-	-	-	-	-	-	-	-	2,145
28-S-Horseshoe Camp - Summer Camp	-	-	-	-	-	-	75	195	126	153	-	-	-	-	-	-	549
29-S-S. D. Hunter - Well Drilling	-	-	-	8,900	300	-	-	-	-	-	-	-	-	-	-	-	9,200
30-S-Magnolia Gas Co. - Field Tap	-	-	150	-	-	-	-	-	-	-	-	-	-	-	-	-	150
31-S-E. A. McPherson - " "	-	-	150	-	-	-	-	-	-	-	-	-	-	-	-	-	150
32-S-Fisher Corp. for L. Ballard	-	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6
33-S-J. J.&Parks	60	158	-	-	-	-	-	-	-	-	-	-	-	-	-	-	218
34-S-Pelican Natural Gas Co.	-	-	-	-	3,500	-	-	-	-	-	-	-	-	-	-	-	3,500
35-S-Mary Schwab	90	83	-	-	-	-	-	-	-	-	-	-	-	-	-	-	173
36-S-Sid Simmons Drilling Co.	-	5,000	8,400	-	-	-	-	-	-	-	-	-	-	-	-	-	13,400
37-S-Jordan & Company, Inc. (Well Drilling)	-	-	-	3,600	2,700	2,700	-	-	-	-	-	-	-	-	-	1,300	9,000
22-S-H. S. Corporation (Well Drilling)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,300
Total Gas Del. to Pipe Line Cos. and to Field Consumers	5,186,661	8,420,539	6,246,111	7,915,169	8,739,778	9,918,163	10,154,441	11,422,669	12,584,547	15,575,932	17,421,840	22,497,653	21,325,013	22,201,784	20,901,972	24,634,319	222,141,591
Company Use																	
181-S-De Siard Station-Engine Fuel & Domestics	79,597	122,928	190,916	215,625	88,913	81,668	87,177	158,877	276,714	332,215	392,038	349,647	293,995	446,679	425,226	395,642	4,039,463
182-S-Gas from Well No. 1 to drill well No. 60	-	-	-	-	-	-	-	-	-	-	23,210	-	-	-	-	-	23,210
182-S " " " 8 " " " " 58	-	-	-	-	-	-	-	-	-	-	1,500	500	-	-	-	-	2,000
182-S " " " 14 " " " " 59	-	-	-	-	-	-	-	-	-	-	63,614	-	-	-	-	-	63,614
182-S " " " 14 " " " " 23	-	-	-	6,500	-	-	-	-	-	-	-	-	-	-	-	-	6,500
182-S-Gas From Well No.16 to drill well No. 24	-	-	-	3,200	-	-	-	-	-	-	-	-	-	-	-	-	3,200
182-S " " " 16 " " " " 25	-	-	-	3,100	-	-	-	-	-	-	-	-	-	-	-	-	3,100
182-S " " " 30 " " " " 36	-	-	-	-	-	-	-	-	-	2,100	-	-	-	-	-	-	2,100
182-S " " " 30 " " Spencer Well No.4	-	-	-	-	3,300	-	-	-	-	-	-	-	-	-	-	-	3,300
182-S " " " 32 " " well No. 43	-	-	-	-	-	-	-	-	-	-	850	-	-	-	-	-	850
182-S-Gas From Well No.34 to drill well No. 63	-	-	-	-	-	-	-	-	-	-	-	1,700	-	-	-	-	1,700
182.2-S-Spencer Domestic - Company Houses	-	-	-	-	4,981	3,227	2,309	1,196	1,814	1,490	2,942	2,559	2,844	4,063	2,016	4,045	33,476
182.3-S-Spencer Lease Obligation	-	-	-	-	1,851	-	1,884	3,210	3,244	3,196	4,025	5,453	4,984	5,744	3,277	6,198	44,842
- United Carbon to Drill Well No. 95	-	-	-	-	-	-	-	-	-	-	-	-	-	1,839	-	-	1,639
" " " " " " " 96	-	-	-	-	-	-	-	-	-	-	-	-	-	1,832	-	-	1,832
- Drilling & Repairing I.N.G. Co. Wells	-	-	1,800	13,000	9,100	5,200	8,800	-	-	12,067	19,100	26,800	13,908	5,200	9,899	13,600	135,771
- Testing & Repairing Field Lines	-	-	-	-	-	2,000	-	-	-	-	14,000	-	-	-	-	-	16,000
- Employees' Housed, Lease Obligations, etc.	-	-	-	-	-	-	-	-	7,500	-	-	-	-	-	-	-	7,500
Total Company Use	79,597	122,928	192,716	241,926	108,145	92,096	96,840	163,383	289,272	351,068	551,277	386,458	315,696	464,917	444,418	419,485	4,389,789
TOTAL GAS DELIVERED: MONROE GAS FIELD	5,266,258	8,543,467	6,438,827	8,157,094	8,847,923	10,008,258	10,251,281	11,586,052	12,873,819	15,927,000	17,973,117	23,245,469	22,772,384	23,766,472	22,[illegible]779	25,345,836	230,237,806

Docket G-149

GAS DELIVERED FROM MAIN TRANSMISSION LINE - MONROE GAS FIELD TO BATON ROUGE, LA.

In MCF - 1926 Through 1941

(Pressure Base: 14.4 Lbs. Atmos. plus 10 Oz.)

	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	Total
Delivered to Direct Industrials and Town Borders																	
210-S Hemler Gas Co. - Drilling in Richland Field	-	-	159	-	-	-	-	-	-	-	-	-	-	-	-	-	159
212-S Operating Richland Receiving Station	-	-	-	-	-	1,886	2,382	1,735	1,422	1,256	1,323	2,101	3,922	673	-	-	16,700
213-S Louisiana Leasing Syndicate, Inc. - Drilling	-	-	-	3,400	-	-	-	-	-	-	-	-	-	-	-	-	3,400
214-S Shreveport Contractors, Inc. - Drilling	-	-	-	4,500	-	-	-	-	-	-	-	-	-	-	-	-	4,500
215-S La. Power & Light Co.-Gilbert, La., Town Border	-	1,286	4,849	6,581	7,186	7,581	7,312	6,863	7,432	7,867	9,512	8,759	6,612	7,599	8,848	7,811	85,528
216-S La. Power & Light Co.-Wisner, La., Town Border	-	4,500	5,506	7,926	8,624	9,063	9,362	8,732	10,418	10,782	12,592	11,708	9,311	9,252	10,932	8,689	116,497
217-S Peak Gas Co. - Town Border	-	2,863	15,962	3,260	2,898	2,576	2,355	2,118	2,669	2,755	4,089	4,114	1,784	2,492	1,611	1,021	52,967
218-S Sicily Island Gas Co., Inc.-Sicily Island Town Border	-	-	-	-	2,064	4,515	6,266	6,739	8,314	7,611	10,548	10,683	10,410	10,887	13,863	13,610	105,510
220-S J. M. Jones Lumber Co. - Ferriday, La.	-	-	-	14,752	299	-	1,080	1,143	889	427	3,662	4,508	2,074	1,978	1,632	2,513	34,717
221-S La. Power & Light Co.-Ferriday, La., Town Border	-	-	1,599	10,654	13,895	14,907	15,755	13,880	16,769	18,610	25,318	25,225	21,150	24,788	27,514	27,594	261,658
222-S Whitehall Plantation - Vidalia, La.	-	-	-	-	-	689	832	375	418	278	897	1,607	-	-	-	-	5,096
223-S Vidalia, La. - Town Border	-	-	3,698	10,068	28,407	10,364	10,396	9,015	9,456	9,719	11,734	12,433	12,520	16,602	18,126	13,961	176,499
224-S Miss. Power & Light Co.-Natchez, Miss. City Gate Sta.	-	14,796	89,678	131,924	146,091	141,130	145,871	126,220	139,552	156,259	175,675	177,342	176,370	264,881	372,362	459,106	2,717,257
225-S Danciger Oil & Ref., Inc. - Well Drilling	-	-	-	-	-	-	-	-	-	-	-	21,906	-	-	-	-	21,906
226-S E.R. Owen, Wilkison County, Miss. - Well Drilling	-	-	-	-	-	-	-	-	-	-	-	6,707	-	-	-	-	6,707
227-S Buffalo Gas Co. - Wilkinson, Miss., Town Border	-	-	-	-	-	-	52	203	474	527	999	1,374	1,292	1,459	1,503	1,298	9,181
228-S Woodville, Miss., Town Border	-	-	-	3,845	12,351	10,518	11,112	11,374	12,188	14,709	19,269	20,945	18,942	20,837	21,866	22,917	200,875
229-S Centerville, Miss., Town Border	-	-	-	-	-	-	-	-	-	-	-	-	-	385	4,637	4,875	10,097
230-S Jackson, La., Town Border	-	-	-	-	-	-	20	1,508	2,855	3,940	6,571	9,228	10,986	8,109	7,961	8,187	59,365
231-S East Louisiana State Hospital - Jackson, La.	-	102,825	253,036	230,220	222,376	229,534	277,013	271,989	307,333	264,636	295,362	292,222	291,610	265,132	278,328	277,045	3,099,361
232-S St. Francisville, La., Town Border	-	-	-	-	-	-	-	-	-	-	-	-	-	3,629	8,301	9,831	21,761
233-S The Walworth Co. - Valve Leak near Lindsay, La.	-	-	-	2,073	-	-	-	-	-	-	-	-	-	-	-	-	2,073
234-S Zachary, La., Town Border	-	-	-	-	-	-	-	-	-	-	456	2,675	3,744	5,540	7,616	8,270	28,301
236-S Gulf States Util. Co. - Baton Rouge, La. - City Gate Sta.	-	381,065	779,122	909,680	772,392	552,008	580,323	499,173	571,337	608,860	708,926	772,936	921,480	833,092	563,381	597,665	10,981,440
237-S Gulf States Util. Co. - For Southern Univ., Baton Rouge, La.	-	4,139	13,326	16,258	16,640	20,643	24,698	17,864	21,717	21,746	24,949	27,342	29,868	32,176	44,373	46,075	383,780
238-S Gulf States Util. Co. - For La. Chemical Co., Baton Rouge, La.	-	-	-	-	-	-	-	-	-	-	27	275	329	417	509	398	1,955
270-S Gulf States Utilities Co. - Harding Field	-	-	-	-	-	-	-	-	-	-	-	-	-	-	28,823	28,823	
239-S The Solvay Process Co. - Baton Rouge, La.	-	-	-	-	-	-	-	-	259	314,022	872,886	944,296	920,487	1,030,700	1,023,406	2,520,959	7,627,015
240-S Std. Oil Co. of La. - Baton Rouge, La.	-	16,239,120	17,522,662	16,273,106	12,125,048	5,325,854	4,893,713	4,610,247	3,827,311	4,272,558	5,358,699	6,124,212	5,679,529	5,570,137	5,185,922	6,156,141	119,374,259
240-S " " " " " " " " Del. received for acct. of Ethyl Gasoline Corp.	-	-	-	-	-	-	-	-	-	-	-	-	26,327	347,741	484,749	559,997	1,418,887
241-S Ethyl Gasoline Corp. - Baton Rouge, La.	-	-	-	-	-	-	-	-	-	-	87	12,262	59,798	97,008	146,989	168,210	486,354
242-S Gulf States Util. Co. - La. Steam Generating Corp.	-	-	-	-	3,863,870	8,290,904	4,589,321	4,601,154	6,467,581	7,115,372	7,740,345	8,298,194	9,238,993	1,031,301	1,189,654	2,523,985	64,950,174
242-S " " " " " " Del. received for acct. of Std. Oil Co.'s portion Baton Rouge, La.	-	-	-	-	-	-	-	-	-	-	-	-	937,879	10,124,654	10,790,594	11,855,818	33,708,945
242-S Gulf States Util. Co. - Del. received for acct. of The Solvay Pro. portion Baton Rouge, La.	-	-	-	-	-	-	-	-	-	793,020	1,615,455	1,839,521	1,922,545	2,069,149	2,040,825	1,041,782	11,322,297
242-S Gulf States Util. Co. - Del. received for acct. of Ethyl Gasol. Corp. portion Baton Rouge, La.	-	-	-	-	-	-	-	-	-	-	-	103,234	623,593	1,153,188	1,850,357	1,967,310	5,697,682
243-S Ford Bacon & Davis, Inc. - Construction of Scotland Meter Run	-	20,327	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,327
251-S Colonial Sugars Company - Gramercy, La.	-	317,298	-	-	-	-	-	-	-	-	-	-	-	-	-	-	317,298
253-S Godchaux Sugars - Reserve, La.	-	441,925	-	-	-	-	-	-	-	-	-	-	-	-	-	-	441,925
262-S Mexican Petroleum Corp. - Near Destrehan, La.	-	91,507	-	-	-	-	-	-	-	-	-	-	-	-	-	-	91,507
Total Delivered to Direct Industrials and Town Borders	-	17,618,651	18,689,597	17,628,247	17,222,101	14,622,172	10,487,823	10,190,332	11,408,334	13,624,954	16,899,381	18,735,809	20,931,825	22,934,060	24,111,165	28,634,819	263,739,279
Gas Delivered to the United Gas Pipe Line Company																	
208-S Delivered at Alto, La.	-	-	-	-	-	-	-	-	-	-	-	-	-	70,210	195,109	165,113	430,432
235-S Sale to Southern G. & F. Co., Baton Rouge, La.	-	-	19,252	-	-	-	-	-	-	-	-	-	-	-	-	-	19,252
235-S Delivered at Scotland Meter Station, Baton Rouge, La.	-	-	4,908,190	15,832,468	16,566,114	15,757,831	14,795,307	14,281,569	17,449,017	21,250,746	24,576,885	26,627,062	25,713,420	26,911,031	19,223,532	15,981,988	259,978,160
Total Gas Delivered to the United Gas Pipe Line Company	-	-	4,927,442	15,832,468	16,566,114	15,757,831	14,795,307	14,281,569	17,449,017	21,250,746	24,576,885	26,627,062	25,713,420	26,981,241	19,418,641	16,147,101	260,427,844
Company Use																	
182.1-S Richland Domestic - 1 House, Alto, La.	-	-	-	-	-	-	-	-	-	-	-	-	-	280	834	731	1,845
182.4-S T.E. Stanfill - Baton Rouge, La. City Gate Sta.	-	-	-	-	-	25	322	289	341	355	329	338	327	408	466	358	3,758
182.5-S J.B. Dixon - Domestic on Whitehall Plantation	-	-	-	-	-	-	-	-	-	-	223	414	603	907	607	121	2,875
182.6-S L.L. Ricks - Woodville, Miss. Town Border Sta.	-	-	-	-	-	147	271	289	305	328	340	354	293	292	277	297	3,196
219-S Brock Station - Engine Fuel and Domestic	-	24,450	69,047	312,433	157,398	85,390	65,727	14,635	47,562	245,743	402,738	425,192	418,222	454,725	279,724	232,788	3,435,774
- Employees' Houses - Terminated Misc. Deliveries	-	-	-	-	-	821	1,033	845	790	959	626	703	678	795	-	-	7,250
- Heating & Repairing Main Line also D.C. Generator Fuel	-	-	-	-	-	4,313	660	10,100	3,000	5,500	-	-	-	-	-	-	23,573
- Line Breaks & Misc.	-	-	-	-	-	-	-	14,000	-	54,000	2,400	-	-	-	-	-	70,400
Total Company Use	-	24,450	69,047	312,433	157,398	90,696	68,013	40,158	51,998	306,885	406,656	427,001	420,123	457,410	281,908	234,495	3,548,672
TOTAL DELIVERED FROM MAIN TRANSMISSION LINES	-	17,643,101	23,686,086	33,773,148	33,945,613	30,470,699	25,351,143	24,512,059	28,909,409	35,182,585	41,882,922	45,789,872	47,065,368	50,375,660	43,811,714	45,016,415	527,415,795

Docket G 149. Schedule XI.

Gas Delivered From Gas Received From Fields South of Baton Rouge, La.

In MCF—1926 Through 1941.

(Pressure Base: 14.4 Lbs. Atmos. plus 10 Oz.)

	1926 Through 1938	1939	1940	1941	Total
From Gas Received From University Field—					
Delivered to Town Border					
244-S Gulf States Utilities Company, Baton Rouge, La.	.....	72,212	572,642	564,573	1,209,427
Delivered to United Gas Pipe Line Company					
247-S Kleinpeter Meter Station	.....	.....	2,381,772	4,491,484	6,873,256
Total Delivered From Gas Received From University Field	.....	72,212	2,954,414	5,056,057	8,082,683
From Gas Received From La Pice Field—					
Delivered to United Gas Pipe Line Company					
250-S Union Meter Station	.....	.....	2,090,599	2,174,876	4,265,475
Total Delivered From Gas Received From La Pice Field	.....	.....	2,090,599	2,174,876	4,265,475
From Gas Received From La Place Field—					
Delivered to United Gas Pipe Line Company					
255-S La Place Meter Station	.....	.....	1,049,302	1,369,637	2,418,939
Company Use (Purging pipe line)	.....	.....	56	.....	56
Total Delivered From Gas Received From La Place Field	.....	.....	1,049,359	1,369,637	2,418,995
**From Lirette Pipe Line System From Gas Received From Lake Long, Valentine, Du Large, and Lirette Fields—*					
Delivered to Direct Industrials					
267-S Godchaux Sugars, Inc.—Raceland, La.	.....	.....	163,152	264,058	427,210
268-S Valentine Sugars, Inc.—Valentine, La.	.....	.....	84,362	144,826	229,188
Total Direct Industrials	.....	.....	247,514	408,884	656,398
271-S Norco Gas and Fuel Company, Inc.—St. Rose, La.	.....	.....	.....	410	410

Delivered to United Gas Pipe Line Company					
269-S a/c New Orleans Public Service, Inc., and Louisiana Power and Light Company—St. Rose Meter Station	.....	.....	3,018,618	10,020,236	13,038,854
Total Delivered From Lirette Pipe Line System	.....	.....	3,266,132	10,429,530	13,695,662
**From La Fitte Pipe Line System From Gas Received From La Fitte Field—*					
Delivered to Direct Industrials and Town Borders					
263-S Louisiana Power and Light Company—Marrero, La.	.....	59,600	1,503,238	1,862,822	3,425,660
264-S Buchanan Drilling Company	.....	.....	53,372	.....	53,372
265-S Danciger Oil and Refineries, Inc.	.....	.....	58,420	.....	58,420
266-S Rhodes Drilling Company	.....	.....	25,468	.....	25,468
266.1-S The California Company	.....	.....	4,742	44,440	49,182
266.2-S The Texas Pipe Line Company—Revtox Station	.....	.....	15	308	323
Total Deliveries to Direct Industrials and Town Borders	.....	59,600	1,645,255	1,907,570	3,612,425
Total Deliveries From La Fitte Pipe Line System	.....	59,600	1,645,255	1,907,570	3,612,425

Docket G-149.

Gas Delivered From Gas Received From United States Gas Pipe Line Co. System Between Baton Rouge and Destrahan, La.

In MFC—1926 Through 1941.

(Pressure Base: 14.4 Lbs. Atmos. plus 10 Oz.)

Delivered to Direct Industrials and Town Borders:	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937
245-S Suburban Utilities Inc.—Baton Rouge Airport & Addition	.....	.....	.....	.....	.....	62	2,977	3,772	5,664	12,174	12,765	13,904
246-S Gulf States Utilities Co.—Inniswold Plantation	.....	.....	.....	.....	.....	19	475	529	419	514	726	726
248-S Village of Gonzales, La.—Town Border Delivery	.....	.....	.....	.....	.....	876	2,453	2,440	3,678	5,000	6,511	6,686
249-S De Hass-Eby Lbr. Co.—Town Border Del. for Camp	.....	.....	39,000	33,585	4,001	307	347	227	322	431	556	616
251-S Colonial Sugars Co.—Industrial	.....	.....	660,997	1,086,725	729,441	689,179	831,711	494,680	749,668	1,062,024	1,007,415	1,016,420
252-S Norco Gas & Fuel Co., Inc.,—Town Border Grammercy & Letcher, La.	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
253-S Godchaux Sugars, Inc.—Industrial	.....	.....	1,793,412	1,961,391	1,945,102	1,888,839	1,599,862	1,719,245	1,722,976	1,877,042	2,121,064	2,445,038
254-S Reserve Public Utilities Co.—T. B. for Reserve, La.	.....	.....	.....	.....	436	3,200	5,524	5,478	7,323	8,671	10,664	11,281
256-S The La Place Gas & Fuel Co., Inc.—T. B. for La Place, La.	.....	.....	1,389	5,467	6,857	6,164	2,740	2,721	2,846	3,087	4,107	4,992
257-S Norco Gas & Fuel Co., Inc.—T. B. for Norco, La.	.....	.....	.....	.....	.....	.....	2,033	4,111	6,085	9,296	9,787	10,768
258-S Shell Oil Co., Inc.—Iudustrial, Norco, La.	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
259-S Gen. Amer. Transportation Co.—Industrial	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
260-S Norco Gas & Fuel Co., Inc.—New Sarpy, La. T. B.	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	88
261-S Norco Gas & Fuel Co., Inc.—T. B. for Destrahan, La.	.....	.....	.....	.....	.....	.....	.....	.....	.....	168	881	1,201
262-S Mexican Petroleum Corp.	.....	.....	229,204	.....	.....	.....	.....	.....	.....	.....	.....	.....
Total Delivered to Direct Industrials and Town Borders	.....	.....	2,724,002	3,087,168	2,685,837	2,588,646	2,448,122	2,233,203	2,498,981	2,978,407	3,174,476	3,511,720
Total Gas Delivered to I. N. G. Co., Inc., Customers From Gas Received From United Gas Pipe Line Co. System Between Baton Rouge and Destrehan, La.	.....	.....	2,724,002	3,087,168	2,685,837	2,588,646	2,448,122	2,233,203	2,498,981	2,978,407	3,174,476	3,511,720

Schedule XII

1938	1939	1940	1941	Total
15,791	21,836	30,165	33,906	153,016
733	765	1,009	889	6,804
7,354	9,085	11,238	12,583	67,904
639	1,015	976	1,025	83,047
1,065,569	715,422	865,509	1,141,876	12,116,636
.....	.....	860	7,802	8,662
2,021,195	1,926,209	2,047,341	2,400,345	27,469,061
12,480	12,750	16,016	16,990	110,813
5,269	6,136	7,635	6,840	66,250
12,008	14,316	21,239	20,819	110,462
.....	557,476	1,965,923	1,069,248	3,592,647
.....	.....	12,605	125,333	137,938
415	588	910	958	2,959
1,498	1,731	2,141	2,240	9,860
.....	.....	.....	.....	229,204
3,142,951	3,267,329	4,983,567	4,840,854	44,165,263
3,142,951	3,267,329	4,983,567	4,840,854	44,165,263

Docket G-149.
Demand Analysis.

The following Schedules XIII to XVII, inclusive, show the company's deliveries on the maximum coincidental 24-hour demand day for the years of 1935 through 1941. This demand analysis conforms with the gas balance by metering points, subtotals, and totals.

In assembling various data relative to making a demand analysis, it was found that the Gas Accounting Department of the company keeps a weekly report record which shows the day of high delivery, the day of low delivery, and the average delivery of gas by the company for that week with the corresponding volumes of gas delivered on those three bases. An examination was made of this company record in ascertaining the maximum coincidental 24-hour demand day for each year between the years of 1935 and April, 1942. After selecting these maximum coincidental demand days, the meter statements for each meter for each point of metering were analyzed in the offices of the company, and the quantity of gas which was delivered on the maximum coincidental demand days was tabulated after conversion to a uniform basis of measurement (14.4 pounds atmosphere plus 10 ounces) and the resultant maximum coincidental demand day volumes were developed as shown in this demand analysis. Inquiry was made as to the metering day which was reflected by these volumes which depended upon the hour that the meter charts or meter readings were made. Information given by the Gas Accounting Department, indicated that the average day of metering was from 8:00 a. m. to 8:00 a. m., which in effect causes the gas delivered between 12:00 a. m. and 8:00 a. m. to be reflected in the volume of gas shown in the previous day's metering. In several instances, the gas was metered through a positive gas meter which register is on a 7-day basis and required estimating the demand applicable to that particular metering point.

Docket G-149.

Interstate Natural Gas Co., Inc.

Summary—Gas Delivered on Coincidental Maximum Demand Days.

1935 Through April 1942—In MCF.

(Pressure Base: 14.4 Lbs. Atmos. plus 10 Oz.)

	Dec. 2, 1935	Dec. 11, 1936	Dec. 9, 1937	Dec. 14, 1938	Feb. 22, 1939	Nov. 15, 1940	Jan. 8, 1942
Gas Delivered From Gas Received From Monroe and Richland Fields—							
In Monroe Gas Field	61,971	78,855	83,373	90,156	94,082	34,293	81,295
From Main Transmission Line, Monroe to Baton Rouge, Louisiana	143,779	153,608	168,292	182,202	162,714	161,475	177,386
Total Delivered From Gas Received From Monroe and Richland Fields	205,750	232,463	251,665	272,358	256,796	245,768	258,681
Gas Delivered From Gas Received Fom Other Fields—							
From University Field	....	....	....	....	....	9,918	12,414
From La Pice Field	....	....	....	....	....	6,314	8,457
From La Place Field	....	....	....	....	....	5,906	2,336
*From Lirette and Lake Long Fields	....	....	....	....	....	30,463	49,007
*From La Fitte Field	....	....	....	....	....	4,739	7,836
Total Gas Delivered From Gas Received From Other Fields	....	....	....	....	....	57,340	80,050
Gas Delivered From Gas Received From United Gas Pipe Line Company System Between Baton Rouge and Destrehan, Louisiana	8,441	13,679	14,348	9,481	2,158	18,748	9,377
Total Gas Delivered on Coincidental Maximum Demand Days	214,191	246,142	266,013	281,839	258,954	321,856	348,108

Note: *Volume of gas shown represent total operations.
I. N. G. Co., Inc., owns 50%, U. G. P. L. Co. owns 50%.

Docket G-149. Gas Delivered in Monroe Gas Field.

On Coincidental Maximum Demand Days 1935 through April 1942—In MCF

(Pressure Base: 14.4 Lbs. Atmos. plus 10 Oz.)

	Dec. 2, 1935	Dec. 11, 1936	Dec. 9, 1937	Dec. 14, 1938	Feb. 22, 1939	Nov. 15, 1940	Jan. 8, 1942
Delivered for Exchange from I. N. G. Co. Wells—							
133-P Southern Carbon Company (from Well No. 15)	....	....	....	333	320	284	214
134-P Southern Carbon Company (from Well No. 21)	....	....	....	372	356	332	278
135-P Southern Carbon Company (from Well No. 56)	....	....	....	173	138	297	228
140-P United Carbon Company (from Well No. 34)	....	....	695	735	711	....	....
141-P United Carbon Company (from Well No. 63)	....	....	468	535	519	....	....
142-P United Carbon Company (from Well No. 79)	....	....	329	302	280	....	....
143-P United Carbon Company (from Well No. 81)	....	....	....	619	645	....	....
144-P United Carbon Company (from Well No. 83)	....	....	....	296	287	....	....
Total Delivered for Exchange from I. N. G. Co. Wells	....	....	1,492	3,365	3,256	913	720
Delivered to Pipe Line Companies and Field Consumers—							
176-S Southern Natural Gas Company	19,135	28,648	28,545	35,066	36,820	37,119	30,969
177-S Mississippi River Fuel Company	8,688	22,240	23,711	25,729	26,466	23,427	27,797
178-S United Gas Pipe Line Company (Memphis N. G. Co.—Guthrie)	12,724	17,905	19,331	16,717	19,135	19,794	19,304
179-S United Gas Pipe Line Company (Memphis N. G. Co.—Well No. 95)	....	....	....	....	....	754	505
180-S United Gas Pipe Line Company (Memphis N. G. Co.—Well No. 96)	....	....	....	....	....	635	445
188-S Arkansas-Louisiana Gas Company—Munce Station	2,121	2,782	2,941	1,416	1,359	....	....
189-S United Gas Pipe Line Co. (Dixie Gulf Gas Co.—Munce Station)	5,436	5,670	5,959	6,281	5,535	....	....
190-S Louisiana Power & Light Company—Sterlington Power Plant	12,102	....	....	....	....	....	....
198-S Horseshoe Camp—Summer Camp	1	....	....	....	....	....	....
272-S N. W. Corporation—Well Drilling	....	....	....	....	....	....	....
Total Delivered to Pipe Line Companies and Field Consumers	60,207	77,245	80,487	85,209	89,315	81,729	79,020
Company Use—							
181-S De Siard Compressor Station	1,646	1,477	1,367	1,555	1,433	1,626	1,501
182-S Drilling Well No. 58	....	47	....	....	....	....	....
182-S Terminated Miscellaneous Deliveries	95	66	....	....	50	....	....
182.2-S Spencer Domestic	10	7	10	11	12	6	28
182.3-S Spencer Estate Lease Obligation	13	13	17	16	16	19	26
Total Company Use	1,764	1,610	1,394	1,582	1,511	1,651	1,555
Total Delivered in Monroe Gas Field	61,971	78,855	83,373	90,156	94,082	84,293	81,295

Docket G-149. Schedule XV.

Gas Delivered From Main Transmission Line—Monroe Gas Field to Baton Rouge, La.

On Coincidental Maximum Demand D ays 1935 Through April 1942—In MCF.

(Pressure Base: 14.4 Lbs. Atmos. plus 10 Oz.)

		Dec. 2, 1935	Dec. 11, 1936	Dec. 9, 1937	Dec. 14, 1938	Feb. 22, 1939	Nov. 15, 1940	Jan. 8, 1942
Delivered to Direct Industrials and Town Borders—								
212-S	Operating Richland Receiving Station	6	3	10	5	3	....	....
215-S	Louisiana Power and Light Company, Gilbert, La.	34	38	55	38	37	31	66
216-S	Louisiana Power and Light Company, Wisner, La.	50	57	78	50	54	45	89
217-S	Peek Gas Company, Peck, La.	5	3	3	2	1	2	5
218-S	Sicily Island Gas Company, Sicily Island, La.	40	52	73	56	49	37	93
220-S	Concordia Parish Gin, (J. M. Jones Lumber Co.) Ferriday, La.	....	2	28	....	....	11	....
221-S	Louisiana Power and Light Company—Ferriday, La.	115	123	185	148	137	95	247
222-S	Whitehall Plantation	....	....	21	....	....	....	....
223-S	Town of Vidalia, La.	27	66	93	61	61	53	135
224-S	Mississippi Power and Light Company—Natchez, Miss.	1,003	1,044	1,472	1,221	1,351	2,049	2,771
225-S	Danciger Oil Refineries	....	....	333	....	....	....	....
226-S	F. R. Owen	....	....	....	....	....	....	....
227-S	Buffalo Gas Company, Wilkinson, Miss.	5	8	9	8	10	7	13
228-S	Town of Woodville, Miss.	73	119	121	93	115	112	187
229-S	Town of Centerville, Miss.	....	....	....	....	....	23	62
230-S	Town of Jackson, La.	28	42	70	39	37	34	73
231-S	East Louisiana State Hospital, Jackson, La.	1,263	1,391	1,485	1,606	1,437	1,254	1,398
232-S	Town of St. Francisville, La.	....	....	....	....	....	96	105
234-S	Town of Zachary, La.	....	19	17	22	22	37	81
236-S	Gulf States Utilities Company—Baton Rouge City Gate	4,232	4,841	6,921	6,498	6,811	7,414	9,911
237-S	Gulf States Utilities Company—Southern University	162	150	168	165	157	238	399
238-S	Gulf States Utilities Company—Louisiana Chemical Co.	....	1	2	2	1	2	6
239-S	The Solvay Process Company	1,262	2,842	2,471	1,617	2,845	2,836	10,758
240-S	Standard Oil Company of Louisiana	20,773	22,765	22,397	31,198	15,265	21,002	27,162
241-S	Ethyl Gasoline Corporation	....	3	132	237	227	411	408
242-S	Gulf States Utilities Company—Louisiana Steam Generating	27,953	30,683	29,572	43,160	42,865	51,766	54,769
270-S	Gulf States Utilities Company—Harding Field	....	....	....	....	....	....	728

Total Gas Delivered to Direct Industrials and Town Borders	57,122	64,250	65,716	86,226	71,485	87,575	109,466
Delivered to the United Gas Pipe Line Company—							
208-S At Alto, Louisiana	....	....	....	....	....	908	1,349
235-S At Scotland Station, Baton Rouge, La.	84,184	86,914	100,797	93,793	89,444	71,373	64,376
Total Gas Delivered to United Gas Pipe Line Company	84,184	86,914	100,797	93,793	89,444	72,281	65,725
Company Use—							
182-S Terminated Miscellaneous Deliveries	11	5	12	8	5	....	....
182.1-S Richland Domestic	....	....	....	....	....	2	2
182.4-S T. E. Stanfill	3	2	2	2	2	2	2
182.5-S J. B. Dixon	....	2	3	4	3	2	2
182.6-S L. L. Ricks	1	1	1	1	1	1	1
219-S Brock Station	2,458	2,434	1,761	2,168	1,774	1,612	2,188
Total Company Use	2,473	2,444	1,779	2,182	1,785	1,619	2,195
Total Gas Delivered From Main Transmission Line	143,779	153,608	168,292	182,202	162,714	161,475	177,386

EX. 50.

Docket G-149.

Estimate of Natural Gas Reserves.

General History and Geology of Monroe Gas Field.

The Monroe Gas Field is located in the northeastern part of the State of Louisiana and lies wholly within the limits of Townships 18 to 22 North, and Ranges 2 to 6 East in Union, Ouachita, and Morehouse Parishes, Louisiana. It is oval in shape and extends 30 miles north and south and approximately 20 miles east and west, enlosing an area of approximately 234,500 acres. Production from this field originates in what is commonly known as the "Monroe Gas Rock" from a depth ranging from 2,050 to 2,300 feet below the surface and the "second sand" which occurs from 150 to 200 feet below the top of the gas rock.

The Monroe gas rock consists chiefly of porous limestone, chalk, and chalky sands which lie unconformably on the truncated edges of strata of lower Cretaceous age on the central and eastern parts of the field, but seem to merge with the Navarro formation on the north and west side of the field. The second sand which is actually a series of sand lenses in the lower Cretaceous is not continuous and is considered to extend only to those few wells which have found production in it. The second sand is of relative unimportance as a producing strata compared to the Monroe gas rock, and explorations in this sand have practically ceased in the field.

The structure of the Monroe Gas Field is not easily defined, but is most logically classified as a structural

terrace whose eastern and southern limits are defined by closures, whereas the northern and western limits of the field are defined by lack of saturation due to porosity conditions in the chalk.

The Monroe Gas Field was discovered by a well drilled in 1916 located in Section 37, Township 20 North, Range 5 East, which was known as the Progressive Oil and Gas Company's Fisher No. 1. This discovery well was deepened in 1917 in search of oil and was abandoned at a depth of 2,902 feet. During 1917 nine gas wells were completed in the Monroe Gas Field, and development of this field has progressed through 1941 with the completion of 1,232 producing wells. The following tabulation shows statistical data on the development of the total field:

Docket G-149.

Monroe Gas Field.

(Statistical Data—Louisiana Department of Minerals.)

Year	Total Producing Wells	Number of Wells Comp. Each Year	Total Production (MCF)	Total Wells	Total Open-Flow Capacity (MCF)
1916		1	.....		
1917	3	9	615,852		
1918	17	15	6,666,730		
1919	22	20	13,608,126		
1920	32	15	19,035,499		
1921	52	24	32,881,436		
1922	88	40	43,804,006		
1923	181	120	86,723,809	Not Available	Not Available
1924	323	114	139,174,588		
1925	347	33	125,521,799		
1926	374	69	122,477,694		
1927	433	58	134,642,917		
1928	511	77	158,477,268		
1929	633	160	168,448,563		

Year	Total Producing Wells	Number of Wells Comp. Each Year	Total Production (MCF)	Total Wells	Total Open-Flow Capacity (MCF)
1930	734	92	141,189,793	828	4,684,190
1931	733	14	102,962,150	833	4,525,728
1932	725	16	95,853,790	850	4,426,269
1933	795	..	114,169,110	863	4,823,220[1]
1934	835	33	163,777,473	899	4,979,028[2]
1935	914	63	182,381,748	955	4,568,847
1936	[illegible]0	100	205,563,297	1,054	4,167,615
1937	1,082	89	197,862,886	1,136	4,648,342
1938	1,133	53	171,494,086	1,182	4,310,241
1939	1,124	49	188,625,081	1,226	4,119,608
1940	1,189	55	192,915,741	1,254	6,107,876[3]
1941	1,232	48	216,286,921	1,296	6,592,704[4]
Total	....	1,367	3,025,160,362	....	.....

[1] 117 Wells acidized.
[2] 53 Wells acidized.
[3] 452 Wells acidized.
[4] 117 Wells acidized.

In the initial stages of the developments of the Monroe Gas Field, the development occurred in the area of the field near the discovery well. The carbon black industry constructed plants for the purpose of manufacturing carbon black in the southeastern portion of the field. As wells were drilled markets were obtained for the gas outline of the field. Development increased after 1923 and 1924, and production was heavy from the eastern and southeastern portion of the field. Gradual development progressed to the north and west as years went by, each extension well proving the Monroe Field's greater areal extent. As of 1941 the concentration of development in the southeastern portion of the field and the lighter development on the western and northern sides of the field has caused a marked difference in the remaining gas reserves because of the high differential in rock pressure from one side of the field to the other. At the present time rock pressures on the southeast portion of the field are as low as 60 to 70 pounds, whereas on the western and northern flanks of the field wells are being drilled with initial pressures of 1,000 pounds and over.

The Louisiana Department of Minerals has imposed a well-spacing program and maximum production allowable for wells located in the Monroe Gas Field. The production allowable which went into effect on wells spudded in after June 24, 1924, according to Act 252 of the Louisiana Legislature of 1942, is allotted on a basis of open flow capacity of the well and the acreage allotted by the operator to the well. For the purpose of allocation of production, the same Act provides for the determination of the open flow capacity of each well every 12 months for the purpose of reallocating the production allowable.

The following tabulation shows the allowable open flow as stipulated by the Act of the Louisiana Legislature:

Acreage Allotted	Percent Open Flow Capacity
160	24
80	21
40	18
20	15
10	12
5	9
Below 5	7

The above percent open-flow capacity applies to the daily open flow capacity of each well as tested by the Department of Minerals. In cases where the percentages listed would reduce the daily withdrawal below 1,000,000 cubic feet per day, as much as 1,000,000 cubic feet per day may be produced by the operator regardless of the tabulated limitations.

Wells which started drilling prior to June 24, 1924 are allowed 20 percent of their open flow capacity regardless of acreage, and offset wells drilled subsequently are allowed the same rate of production.

At the present time there are approximately 43 operators in the Monroe Gas Field, varying in ownership of acreage and wells from one well to approximately 341 wells.

The following is a tabulation showing the principal operators of gas wells in the Monroe Gas Field, the number of wells which they own, and gas produced by them during 1941:

Name of Company	Producing Wells	*Production 1941 (MCF)
Union Producing Co.	341	80,953,059
Southern Carbon Co.	215	36,707,854
United Carbon Co.	191	15,322,098
Interstate Natural Gas Co., Inc.	110	28,819,814
Carbons Consolidated Co.	63	6,389,662
La Del Oil Properties	49	2,630,238
J. E. Farrell Co. of La.	41	7,049,706
Nemours Corp.	32	4,108,026
Memphis Natural Gas Co.	28	3,303,719
Arkansas Louisiana Gas Co.	25	2,274,900
33 other companies (Less than 25 wells each)	137	28,727,845
Total	1232	216,286,921

*(Pressure Base: 14.4 Lbs. Atmos. plus 10 Oz.)

Docket G-149.

Mineral Interests of the Interstate Natural Gas Co., Inc.

The Interstate Natural Gas Company owns 53,572.67 net acres of mineral interests in and contiguous to the Monroe Gas Field as of December 31, 1941. Of this total acreage, 3,269.20 net acres is owned in fee: 3,829.29 net acres is held through lease agreements: 46,474.18 net acres is controlled through the ownership of natural gas rights.

All of this acreage is located in and contiguous to the west half of the Monroe Gas Field. The acreage which the company has purchased and which lies west of the probable limit of the field was nearly all acquired through the same instruments of conveyance with acreage which is within the proved limits of the field. 45,348.94 net acres of the company's mineral interests has been perpetuated through the company's drilling operations on these 53,572.67 net acres. 4,387.54 net acres of

the total mineral interests owned by the company lie outside of the productive limit of the field. But of this 4,387.54 acres, all except 1,085.49 net acres has been perpetuated by drilling operations within the field.

Summary of Mineral Interests Owned by Interstate Natural Gas Co., Inc., as of 12-31-41.

Monroe Gas Field—

Operated Mineral Interests—

Location	330.1—Natural Gas Producing Lands (Net Acres)	330.2—Natural Gas Producing Leaseholds (Net Acres)	330.3 Natural Gas Rights (Net Acres)	Total Net Acres
Zone—2	.....	17.27	.....	17.27
Zone—3	.....	42.73	.....	42.73
Zone—5	.....	208.62	** 2,138.55	2,347.17
Zone—6	.....	100.00	6,791.13	6,891.13
Zone—7	40.00	957.38	7,429.40	8,426.78
Zone—8	* 453.75	600.00	14,200.91	15,254.66
Zone—9	2,457.45	936.67	5,673.03	9,067.15
Outside	318.00	156.62	2,827.43	3,302.05
Total	3,269.20	3,019.29	39,060.45	45,348.94

Unoperated Mineral Interests—

Zone—5	.....	.....	76.76	76.76
Zone—6	.....	.....	644.80	644.80
Zone—7	.....	105.00	3,444.85	3,549.85
Zone—8	.....	.....	1,384.34	1,384.34
Zone—9	.....	80.00	1,402.49	1,482.49
Outside	.....	625.00	460.49	1,085.49
Total	3,269.20	3,829.29	46,474.18	53,572.67
Total	.....	810.00	7,413.73	8,223.73

* Does not include 379.24 acres considered to be gross acres in parcel Nos. 450 & 451.

** Does not include 40.00 acres of parcel 475 leased to Southern Carbon Co.

Concordia Parish, La. *** 1,282.00 *** 1,282.00 2,564.00

*** Whitehall Plantation.

Docket G-149.

Statement of Gas Wells Owned by the Interstate Company.

During 1926 the Interstate company purchased the major portion of its mineral interests from the Union Power Company, and with this purchase acquired 12 wells, 11 of which have been productive and one well which has not produced since the date of its purchase due to casing trouble. Since that date, the company has drilled or purchased a total of 103 wells of which 4 were lost through litigation in 1932, the remaining 110 wells have been drilled or purchased as required by the company to meet demand requirements and as necessary by the company to perpetuate mineral interests whose contracts were near expiration. The locations of these wells are more or less evenly distributed throughout the mineral interests owned by the company.

Total Gas Wells Owned and Operated by Interstate Natural Gas Co., Inc.

Year	Total Gas Wells Drilled By I. N. G. Co.	Total Gas Wells Purchased By I. N. G. Co.	Gas Wells Abandoned or Lost By I. N. G. Co.	Total Gas Wells (Net)	Cumulative Total Gas Wells
1926	..	..	1	11	11
1927	1	..	..	1	12
1928	..	..	..	..	12
1929	14	1	..	15	27
1930	4	..	..	4	31
1931	1	..	..	1	32
1932	2	..	4*	(2)	30
1933	..	..	..	..	..
1934	..	..	..	..	30
1935	7	..	..	7	37
1936	15	2	..	17	54

Location	330.1—Natural Gas Producing Lands (Net Acres)	330.2—Natural Gas Producing Leaseholds (Net Acres)	330.3 Natural Gas Rights (Net Acres)	Total Net Acres
1937	19	..	19	73
1938	11	..	11	84
1939	7	..	7	91
1940	9	..	9	100
1941	8	2	10	110
Total	98	17	110	...

* Lost through Litigation May 1932.

Docket G-149.

Gas Reserves of the Interstate Natural Gas Co., Inc.

Source of Data.

The State of Louisiana Department of Minerals requires all oil and gas companies operating in the State of Louisiana to file reports on all drilling wells and producing wells in the State of Louisiana. The Department of Minerals, Monroe District Office, located at Monroe, Louisiana, has kept records pertaining to drilling operations, well logs, rock pressures, open flow statistics, and well production for each gas well or oil well located in northeast Louisiana. In addition to keeping this information on file, this department makes rock pressure tests and open flow tests in the Monroe Gas Field and publishes this information periodically in a "Regauge" report. This report also shows the individual well daily production quota, based upon the open flow capacity of the well and the acres which have been allocated to that well by the operator.

In preparation of the estimate of gas reserves of the Interstate Company, all of this information from the "Re-

gauge" reports was utilized and in addition, I compiled a complete historical record of each well from the "well-information books" in which the Conservation Department keeps a running record of additional information not shown in the "Regauge" report. I also obtained from the State Conservation Department a record of the production for each individual well in the Monroe Gas Field by months, by years, since the date of completion of each well in the field, through 1941.

I also examined the operating records of the Interstate Natural Gas Co., Inc. and other companies operating in the Monroe Gas Field for the purpose of obtaining additional information on each of these company's wells and to obtain maps showing the plotted location of each well in the field.

Reference has also been made to the records and maps contained in geological reports made by consulting geologists on the Monroe Gas Field in recent years.

Since 1922 the State Department of Minerals has made a total of 36 "Regauge" reports. As many as three of these reports occurred in one year, but on an average, there have been two each year, the last of which was issued on December 1, 1941.

Docket G-149.

Procedure of Estimating Gas Reserves.

I determined the probable productive areal limits of the Monroe Gas Field by examining the production characteristics of the edge wells in the Monroe Gas Field, and also all of the dry-hole wells that have been drilled in the proximity of these edge wells. The result of this

study is shown on the Monroe Field Map in this exhibit.

After ascertaining the proved area of the Monroe Gas Field, I then divided this field into 12 zone areas. This was necessary because of the varied production characteristics of the field. The zone areas adopted were patterned after those established by the Department of Minerals prior to 1930, and are those currently used by the Interstate company. These zone areas divide the field roughly between the high pressure and low pressure areas and the high potential and low potential production areas of the Monroe Gas Field. The locations of these zone areas are shown on the Monroe Field Map in this exhibit.

Upon base maps of the Monroe Gas Field of an approximate scale of 3/4-inch equals 1 mile, which showed location of all of the gas wells in the Monroe Gas Field, I superimposed my determination of probable limits of the Monroe Gas Field and the zone area boundaries. One of these maps was prepared for each of the Department of minerals "Regauge" reports. From data in the "Regauge" reports there was plotted the rock pressure of each well in the field on one map for each "Regauge" date.

Lines of equal pressure were drawn on these maps for the purpose of determining the weighted average rock pressure of each zone area in the field. This method is commonly known as isopeizo or isobaric method of determining the weighted average pressure of any area. This is accomplished by relating the area lying between lines of equal pressure to the total area in order to determine a composite weighted average pressure for the total area.

I obtained from the Interstate company production data segregated by zone areas, which represented the total production produced in each zone area, between the "Regauge" report dates. This information was supplied to me from 1927 through 1939, and supplemented by me with the 1940 production from the records of the Department of Minerals. The company's production data were verified as to accuracy by comparison with annual production data obtained from the Department of Minerals.

After careful study of the wells in the field and their production, an abandonment rock pressure of 50 pounds was considered to be reasonable. The Interstate company also submitted a 50 pound abandonment pressure as being a reasonable pressure in the Monroe Gas Field.

Utilizing the weighted average rock pressures and the production in each zone area, I estimated the gas reserves in each zone area by the pressure-decline method. This method is considered to be the most accurate method of estimating gas reserves whenever sufficient data are available and if the reservoir of the reserve to be computed is not affected by a water-drive. The Monroe Gas Field is not affected by a water-drive and is an ideal field to utilize this method in the computation of gas reserves. In using the pressure-decline method, I plotted the weighted average rock pressure against the cumulative production as of the date of the weighted average rock pressure, and extrapolated the trend indicated by the plotted points to the abandonment pressure of the field. In this manner, I estimated the gas reserves in each zone area. I then plotted one curve representing the total field and obtained a reasonable check upon my estimate of gas reserves for each zone area.

I ascertained the total area of the Monroe Gas Field to be 234,496 acres and the number of acres in each of the zone areas as shown in the following table.

By dividing the number of acres in each zone area into the future recoverable gas reserves of each zone, I determined the probable future recoverable gas reserves per acre in each zone.

I then applied the above-determined expected future-recoverable-per-acre factor to the number of acres owned by the Interstate Natural Gas Company in each of the zone areas to determine the future recoverable gas reserves owned by the Interstate company. The result of this computation is shown in the following table. To the future recoverable gas reserves of the Interstate company, I have added the total gas which the company has produced from each zone to determine the ultimate recoverable gas reserves of Interstate Natural Gas Company which is also shown in the following table. No gas reserves were computed for mineral interests lying outside of the probable limit of the Monroe Gas Field.

Estimate of Recoverable Natural Gas Reserves of the Interstate Natural Gas Co., Inc., in Monroe Gas Field, La., as of 12-31-41.

Docket G-149. (Pressure Base: 14.4 Lbs. Atmos. plus 10 Oz.)

Zone Area	Total Acres in Zone Area	Total (Net) Acres I. N. G. Co., Inc., Mineral Interests	M. C. F. Gas Produced by 1926-1941 Incl. I. N. G. Co., Inc.,	Future Recoverable Gas Reserves of M. C. F. as of 12-31-41 I. N. G. Co., Inc., in	Ultimate Recoverable Gas Reserves of in M. C. F. I. N. G. Co., Inc.,
Operated Mineral Interests					
2	19,660	17.27	257,324	172,265	429,589
3	17,633	42.73	.....	294,410	294,410
5	44,668	2,347.17	13,394,786	24,339,104	37,733,890
6	9,137	6,891.13	26,466,240	133,206,090	159,672,330
7	30,355	8,426.78	5,240,431	66,664,066	71,904,497
8	41,419	15,254.66	115,255,150	480,265,759	595,520,909
9	25,790	9,067.15	18,445,162	132,107,161	150,552,323
Outside Monroe Field		3,302.05	.....	.....	.....
Total		45,348.94	179,059,093	837,048,855	1,016,107,948

672

Unoperated Mineral Interests					
5	44,668	76.78	.....	766,372	766,372
6	8,137	644.80	.....	12,300,850	12,300,850
7	30,355	3,549.85	.....	26,787,168	26,787,168
8	41,419	1,384.34	.....	42,297,124	42,297,124
9	25,790	1,482.49	.....	21,267,802	21,267,802
Outside Monroe Field		1,085.49	.....	.....	.....
Total		8,223.73	.....	103,419,316	103,419,316
Total		53,572.67	179,059,093	940,468,171	1,119,527,264

673

Docket G-149.

Map.

The enclosed map includes all of the area of the Monroe Gas Field. Upon the base of this map (buff) are shown the Parish lines, Township and range lines, principal rivers and drainage, railroads, towns and cities, and the location of all the wells which have been drilled within the limits of the Monroe Gas Field and exploratory wells which have been drilled outside of the limits of the gas field. In heavy lines are shown the probable productive limits of the Monroe Gas Field and the zone area boundaries and their designating numbers.

Superimposed upon this base map the production plant property of the Interstate Natural Gas Company, Inc. is shown in black and red as follows:

(a) A heavy black circle has been placed circumscribing the location of all of the gas wells owned by the Interstate company; beside these locations has been placed the company well number.

(b) The field pipe lines of the company are shown in black on the map with their company numbers and sizes designated.

(c) The location of the De Siard compressor station is shown in black with the transmission pipe line T-1 shown as far as the limits of the map will allow; also transmission pipe line T-9 is shown from its terminal point near Perryville to the south as far as the map will allow.

(b) All points of metering in Monroe Field are shown in black and are designated either by well number or metering point number. These metering points include gas produced, gas purchased, gas received for transportation, gas sold, gas exchanged, and gas used by the company, as of December 31, 1941.

(e) The mineral interests (lands, leaseholds, and gas rights) have been shown on the map in two red Bendee patterns, one pattern designating all mineral interests which are considered to be perpetuated by the company, and the other pattern showing all mineral interests (leaseholds and gas rights) which have not been perpetuated and are at the present time considered to be unoperated by the company.

Map of Monroe Gas Field omitted from the printed record pursuant to Joint Stipulation of Counsel as to printing record, copied at page 1, and in its place the following notation is made pursuant to said Stipulation as follows:

"Page 2522 is the same as page 2463."

* * * * * *

EX. 51.

Docket G-149.

Scope of Exhibit.

The purpose of this exhibit is to set forth the estimated average service lives of all the depreciable and depletable property of the Interstate Natural Gas Com-

pany, Inc. (hereinafter termed Interstate Company). This exhibit sets forth the limitations of the study; the methods used; sources of material; a description of the field examination; an analysis of salvage conditions; the estimated composite service lives by accounts; and a recommended service life for each primary account.

The service lives stated in this exhibit represent judgment figures based on experience weighted with a consideration of the relevant elements ascertained from such sources of information as are hereinafter mentioned.

The determination of the depreciation and depletion is limited to those items of property which were considered as used and useful in the rendering of natural gas service to Interstate's customers as of December 31, 1941.

Docket G-149.

Studies and Inspections.

A field inspection of the Interstate's property was made during the year 1941.

The purposes of the field examinations were to measure, when possible, the extent to which physical deterioration had occurred; observe the measure of protection afforded to depreciable property by maintenance; determine the actual existence of items of property shown on the company's books; observe any conditions which would affect judgment based on previous experience in the determination of service life; become acquainted with local conditions; become familiar with the operating methods and records; assure that the units of property had been properly classified; and determine the used and useful material of the units of property.

In arriving at the service lives adopted for the various units of property, data were assembled from various sources and special efforts were made to obtain the results of years of actual operating experience of other companies as a background.

The composite service lives shown in this exhibit are based on an inspection of the property, a study of property retirements, the experience of other natural gas companies, and upon the exercise of engineering judgment after consideration of all relevant information including factors affecting service lives such as wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand and requirements of public authorities, and the exhaustion of natural resources.

The composite service lives have been developed by the group method and are weighted averages for each account.

Consideration has been given to information secured from the following sources for the purpose of determining service lives:

1. A field inspection.

2. Other nautral gas companies whose transpired lives exceed that of the Interstate company.

3. Equipment manufacturers.

4. The Interstate Commerce Commission's Bureau of Valuation determinations of service lives for all pipe line properties located in the mid-continent area.

5. The Bureau of Internal Revenue's determination of service lives for various classes of gas property.

6. The service lives presented by various engineers to Courts and commissions in rate proceedings.

The estimated salvage value of the property at the end of its physical life was the subject of considerable investigation and study. A study was made of the cost of removal, loading, hauling, demolishing, reduction to marketable size, damage due to removal, etc.

Considering all of the above factors it is apparent that the estimation of salvage value of property in the far distant future is highly speculative.

From consideration of all the data and studies made, it has been concluded that the salvage value of Interstate's property at the end of its service life will approximately equal the cost of removal and therefore may be disregarded at this itme.

Docket G-149.

Production Plant

After completing numerous analyses of the company's operations in the Monroe Gas Field, I have recommended the following depletion plan for the total production plant insofar as the investment lies within the limits of the Monroe Gas Field. This depletion plan is predicated upon my judgment that when the gas reserves in the Monroe Gas Field become exhausted, all of the production plant (mineral interests, wells, field lines, metering stations, employees' houses, etc.) will have served its useful purpose to the company.

The depletion plan is to allow all mineral interest costs (Account 330) and volumetric gas reserves in the depletion base the year that these mineral interests became perpetuated through the drilling operations of the Interstate company. In a like manner, the investments in the other plant accounts have been included in the depletion base in the year in which this investment was realized by the company. The depletion rate determined by the volumetric gas reserves and annual production has been considered to be applicable to all of the accounts in production plant, including Account 330.

Starting with the date of the inception of the company, the volumetric gas reserves have been computed as the annual amount in volumetric gas resrves which have been perpetuated through the drilling operations of the company upon its mineral interests. In this manner, the volumetric gas reserves have been built up as they were developed and as the risk of forfeiture of the mineral-interest right has been eliminated through being perpetuated by drilling wells.

The depletion plan of depreciating production plant on a unit production basis includes the following accounts insofar as their investment is applicable to the geographic area in the Monroe Gas Field.

Production Plant
Account 330.1—Natural Gas Producing Lands.
Account 330.2—Natural Gas Producing Leaseholds.
Account 330.3—Natural Gas Rights.
Account 330.4—Rights of Way.
Account 330.5—Other Land and Land Rights.
Account 331.2—Field Measuring and Regulating Station Structures.

Account 331.3—Other Production System Structures.
Account 332.1—Producing Gas Wells—Well Construction.
Account 332.2—Producing Gas Wells—Well Equipment.
Account 333.1—Field Lines.
Account 333.2—Field Measuring and Regulating Station Equipment.
.....—Interest and Taxes During Construction.

The following mineral-interest accounts have been used as the basis of depletion:

Account 330.1—Natural Gas Producing Land.—Since these mineral interests are perpetuated upon purchase of land in fee, the total cost of these lands and the estimated volumetric recoverable gas reserves have been included in the depletion base as of the date of purchase. In this manner the cost of lands owned in fee which have been purchased for their natural gas will be depleted over the entire life of the company's production property. No salvage value has been considered for the surface rights of natural gas producing lands; it has been considered that the money paid for this land in fee is what the company considered at the time of purchase to be a fair cost for the mineral rights.

Account 330.2—Natural Gas Producing Leaseholds.—Beginning with the inception of the company, natural gas leaseholds have been brought into the depletion base with their future recoverable gas reserves as each leasehold has been perpetuated through the drilling of wells for the production of gas by the Interstate company.

Account 330.3—Natural Gas Rights.—Beginning with the inception of the company, natural gas rights and the future recoverable natural gas reserves underlying these

gas rights have been included in the depletion base as each tract or tracts of gas rights has been perpetuated through the drilling of wells by the company.

The sum of the natural gas reserves perpetuated by years in the above three mineral-interest accounts less the MCF of gas that has been produced by the company has been used as a basis for depletion of all the accounts in the Production Plant insofar as the investment has been applicable to the Monroe Gas Field.

The following tabulation shows by years the number of net acres of mineral interests perpetuated through the drilling of wells; the volumetric recoverable gas reserves in MCF by year of perpetuation; the production in MCF by years; and the future volumetric recoverable gas reserves as of December 31 by years, in MCF from 1926 through 1941. On this same tabulation is shown the total unoperated mineral interests owned by the Interstate company with an estimate of the future recoverable gas reserves underlying these mineral interests as of December 31, 1941, which have not as yet been perpetuated by the Interstate company.

Docket G-149.

Recoverable Gas Reserves and Annual Production By Years—1926-1941.

(Pressure Base—14.4 Lbs. Atmos. plus 10 Ounces.)

Total Operated Mineral Interests.

Account 330.1—Land.

Account 330.2—Leaseholds.

Account 330.3—Gas Rights.

Year	Mineral Interest Acres Perpetuated	Recoverable Gas Reserves in MCF by Year of Perpetuation	Production in MCF By Years	Recoverable Gas Reserves as of December 31 by Years in MCF
1926	33,047.86	775,687,233	5,714,398	769,972,835
1927	382.94	13,192,897	790,549	782,375,183
1928	427.19	7,918,257	363,620	789,929,820
1929	6,400.84	122,945,801	1,232,811	911,642,810
1930	1,134.72	18,224,765	2,558,803	927,308,772
1931	40.00	1,038,995	3,273,158	925,074,609
1932	.....	.....	3,342,173	921,731,436
1933	.....	.....	2,407,090	919,324,346
1934	40.00	3,934,558	3,435,726	919,823,178
1935	1,040.62	18,263,387	8,069,501	930,017,064
1936	175.00	8,394,124	12,871,998	925,539,190
1937	500.44	11,745,128	24,242,542	913,041,776
1938	214.75	4,441,247	25,399,871	892,083,152
1939	289.50	3,505,396	30,743,475	864,845,073
1940	1,336.09	18,611,211	25,792,564	857,663,720
1941	371.99	8,204,949	28,819,814	837,048,855
Total	*45,348.94	1,016,107,948	179,059,093	.....

* Does not include difference between gross and net acres of parcel 450 & 451. Does not include (40.00Ac.) of parcel 475 leased to So. Car. Co.

Total Unoperated Mineral Interests.

Account 330.2—Leaseholds.

Account 330.3—Gas Rights.

Total	8,223.73	(1491)	.....	103,419,316

Total Future Recoverable Gas Reserves as of 12-31-41 940,468,171

EXHIBIT No. 56.

Witness .....

Federal Power Commission.

Docket No. G-149.

In Re: Interstate Natural Gas Company, Incorporated.

Original Cost of Gas Plant,

December 31, 1940.

Federal Power Commission, Docket No. .... Exhibit No. 56 (for Identification). Date Identified 6/19/42.

Federal Power Commission. Docket No. G-132 et al. Hearing Ex. No. 56. 6/19/42.

Bureau of Accounts, Finance and Rates.

Division of Accounts.

Interstate Natural Gas Company, Incorporated.

Original Cost of Gas Plant.

December 31, 1940.

Table of Contents.

	Page
Written Statement	1
Schedules:	

No. Description.

1—Investment in Gas Plant—Capitalized Cost per Books and as Adjusted—December 31, 1940 ... 9

Summaries of Examiners' Journal Entries Reclassifying and Adjusting Gas Plant—December 31, 1940.

1-A—Gas Plant in Service—showing Contra Accounts affected ... 12

1-B—Natural Gas Production Plant ... 15

1-C—Transmission Plant ... 18

1-D—General Plant ... 20

Capitalized Cost of Gas Plant per Books and as Adjusted December 31, 1940.

Natural Gas Production Plant.

2—Account 330.1, Natural Gas Producing Lands . 21

3—Account 330.21—Natural Gas Producing Leaseholds—Operated ... 22

4—Account 330.22, Natural Gas Producing Leaseholds—Unoperated ... 23

5—Account 330.31, Natural Gas Rights—Operated 24

6—Account 330.32, Natural Gas Rights—Unoperated ... 26

11—Account 330.4, Rights-of-Way ... 37

7—Account 330.5—Other Land and Land Rights . 27

8—Account 331.22, Field Measuring and Regulating Station Structures ... 28

9—Account 331.3, Other Production System Structures ... 32

10—Account 332, Producing Gas Wells ... 33

11—Account 333.1, Field Lines ... 37

8—Account 333.22, Field Measuring and Regulating Station Equipment ... 28

Transmission Plant.

12—Account 351.1, Land 42
13—Account 351.2, Land Rights or Rights-of-Way 43
14—Account 352.1—Pumping Station Structures .. 44
15—Account 352.2, Measuring and Regulating Station Structures 46
16—Account 352.3, Other Transmission System Structures 48
17—Account 353, Mains: 49
17-a—T-1 Main Line 50
17-b—T-1 Loop Lines 52
17-c—T-9 Loop Line 53
17-d—Lirette-New Orleans Line 54
18—Account 353, Mains—Gulf Natural Gas Corporation Line Purchased 55
19—Account 354.1, Pumping Station Equipment .. 56
15—Account 354.2, Measuring and Regulating Station Equipment 46
20—Account 354.3, Other Transmission System Equipment 58

General Plant.

21—Account 371, Structures and Improvements . 61
22—Account 372, Office Furniture and Equipment 63
23—Account 373, Transportation Equipment 64
24—Account 374, Stores Equipment 66
25—Account 376, Laboratory Equipment 67
26—Account 377—Tools and Work Equipment ... 68
27—Account 378, Communication Equipment ... 69
28—Account 379, Miscellaneous Equipment 72

Other Plant.

29—Interest and Taxes during Construction 73
30—Account 100.2, Gas Plant Leased to Others . 74
31—Account 100.3, Construction Work in Progress 75
32—Fee Lands 76

* * *

Examiners' Reclassifying and Adjusting Journal Entries 78

Docket G-149.

Interstate Natural Gas Company, Incorporated.

Original Cost of Gas Plant.

December 31, 1940.

The Federal Power Commission, under date of December 5, 1939, issued an order of investigation into and concerning all rates, charges, classifications, rules, regulations, practices or contracts, of Interstate Natural Gas Company, Incorporated. Pursuant thereto an examination of the books and records of that company was undertaken and a number of reports relative to its plant and operations were prepared. This is one of those reports.

The original cost of the gas plant of Interstate Natural Gas Company, Incorporated, as at December 31, 1940, determined by means of an examination of the accounts and records of that company, is set forth in Schedule 1 of this report. This schedule sets forth by primary plant accounts, the investment in gas plant shown in those

accounts on the books, reclassifications and adjustments made by Commission examiners-of-accounts, and the investment in gas plant, as reclassified and adjusted. The examiners' reclassification and adjustments are the result of test and detailed analyses, the latter embracing more than 60% of plant investment. As reclassified and adjusted, the investment in gas plant is the original cost of the company's gas plant as defined in the Federal Power Commission's Uniform System of Accounts.

Summaries of examiners' journal entries, by means of which the reclassification and adjustment of the plant accounts were effected, are presented in Schedules 1A, 1B, 1C, and 1D. These schedules contain a brief description of the journal entries and give the amounts and the numbers thereof. By means of its number each reclassification or adjustment may be traced to the entry itself. Most of the entries are reproduced as a part of this report.

A tabulation of the amounts in each of the primary accounts shown in Schedule 1 is set forth, in considerable detail, in Schedules 2 to 32, inclusive. The schedule assigned each account is shown in the Table of Contents above. The same kind of information that is shown in Schedule 1 is shown, in detail, in Schedules 2 to 32, inclusive, namely: investment per books, examiners' reclassifications and adjustments, and investment as reclassified and adjusted.

The amount of Gas Plant Investment per books shown in Schedule 1, which is $20,567,726 is the amount thereof shown on the company's balance sheet as at December 31, 1940. Sub-divided into functional divisions, with examiners' reclassifications and adjustments, it is as follows:

Gas Plant—December 31, 1940.

Kind of Plant	Account Balances	Examiners' Reclassifications and Adjustments	As Adjusted
Fee Lands & Easements	$ 406,580	$(406,580)	$.....
Production Plant	5,677,405	647,201	6,324,606
Transmission Plant	14,028,398	607,065	14,635,463
General Plant	426,302	(150,758)	275,544
Gas Plant Leased to Others	.....	13,268	13,268
Construction in Progress	29,041	(15,602)	13,439
Total Gas Plant	$20,567,726	$694,594	$21,262,320

The gross additions and retirements per books for the years 1926 to 1940, which equal it are:

Gross Additions and Retirements Per Books
1926—1940

Year	Gross Additions	Retirements	Net Additions	Balance December 31
1926	$12,799,023	$ 17,784	$12,781,239	$12,781,239
1927	1,258,945	9,340	1,249,605	14,030,844
1928	330,382	21,076	309,306	14,340,150
1929	3,033,378	25,544	3,007,834	17,347,984
1930	695,096	181,675	513,421	17,861,405
1931	263,614	32,688	230,926	18,092,331
1932	268,285	101,021	167,264	18,259,595
1933	27,958	26,235	1,723	18,261,318
1934	187,437	85,947	101,490	18,362,808
1935	456,440	595,248	(138,808)	18,224,000
1936	429,666	148,491	281,175	18,505,175
1937	1,010,727	42,779	967,948	19,473,123
1938	225,457	67,844	157,613	19,630,736

Year	Gross Additions	Retirements	Net Additions	Balance December 31
1939	220,488	28,562	191,926	19,822,662
1940	914,565	169,501	745,064	20,567,726
Total	$22,121,461	$1,553,735	$20,567,726	$20,567,726

These gross additions include the following acquisitions:

Acquisitions.

Year Acquired	Vendor	Amount
1926	Union Power Co., Inc.	$2,886,382
1926	H. D. Walbridge and H. C. Morris, Trustees	419,997
1937	Mississippi River Fuel Corporation	185,000
1940	Gulf Natural Gas Corporation	95,000
	Total	$3,586,379

They have among them also, indirect construction costs in the amount of $1,081,567, that were accumulated on the books as such until September 30, 1929. At that time, these costs which relate both to plant acquired and constructed, were allocated to the plant accounts. They were spread in three steps: first, to the major classes of plant, namely Production, Transmission, and General Plant; secondly, to the primary accounts of those major classifications; and lastly, to units of property. The major classes of plant to which they were allocated and a general description of their nature is given below:

Indirect Construction Costs.

Miscellaneous expenses on the basis of Plant Investment as of September 30, 1929, to Production, Transmission, and General Plant, respectively	$839,334

General officers' and clerks' salaries and expenses, and office supplies and expenses and taxes during construction to Organization expense	84,581
Fee paid to Ford, Bacon and Davis, Inc., for negotiating purchase of property from Union Power Company, Inc., and others to Production Plant	100,000
Other preconstruction expenses to Production Plant	29,781
Law expenditures on the basis of right-of-way investment to Production and Transmission Plant	27,871
Total	$1,081,567

Included in the $1,081,567 above, is $98,279 of interest during construction which was transferred by the company from its plant accounts to its surplus account. This amount examiners have restored to plant.

A great part of the indirect construction costs consists of amounts paid to Ford, Bacon and Davis, Inc. During the years 1926 to 1940, inclusive, that firm received payments in the aggregate amount of $1,357,824, which were charged to plant and to operating accounts, as follows:

Payments to Ford, Bacon and Davis
1926—1940.

Year	Accounts Utility Plant	Accounts Operating	Total
1926	$482,205	$	$ 482,205
1927	129,147	67,897	197,044
1928	10,969	70,809	81,778
1929	48,057	85,279	133,336

Year	Accounts Utility Plant	Accounts Operating	Total
1930	2,191	72,342	74,533
1931	52,681	79,111	131,792
1932	221	80,043	80,264
1933	....	80,010	80,010
1934	8,626	72,957	81,583
1935	1,884	10,093	11,977
1936	....	50	50
1937	....	46	46
1938	....	950	950
1939	....	....	....
1940	....	2,256	2,256
Totals	$735,981	$621,843	$1,357,824

The general nature of the payments to Ford, Bacon and Davis, Inc., showing the cost of the property to which the payments charged plant accounts relate, are as follows:

Nature of Amounts Paid Ford, Bacon and Davis 1926—1940.

Description	Amounts Paid Ford, Bacon and Davis	Cost of Property Acquired and Constructed	Ratio of Amounts Paid Ford Bacon and Davis to Cost of Property
Relative to Property Acquired:			
Negotiation Fees	$ 100,000		
Harvey C. Cough—Reimbursement	25,000		
Study of Gas Reserves	8,510		
Other Services and Expenses	41,238		
	$ 174,748	$4,588,522	3.81%

Description	Amounts Paid Ford, Bacon and Davis	Cost of Property Acquired and Constructed	Ratio of Amounts Paid Ford Bacon and Davis to Cost of Property
Relative to Property Constructed:			
Fees	418,405		
Services and Expenses	142,829		
	561,234	12,037,553	4.66%
Total Fees and Expenses Relative to Property Acquired and Constructed	735,982	$16,626,075	4.43%
Management Services:			
Flat Fees	399,462		
Services and Expenses	222,380		
Total Management Fees and Expenses	621,842		
Grand Total	$1,357,824		

Originally, Ford, Bacon and Davis furnished their construction and management services under the terms of a contract entered into with Standard Oil Company (New Jersey) in 1925, under stipulations which are set forth in this examiner's report entitled "A Corporate and Financial History of Interstate Natural Gas Company, Incorporated". This contract continued in force until January 1, 1932, when a three-year contract covering management services was entered into by Ford, Bacon and Davis and Interstate. The latter contract, so far as provisions for management services go, including the provision for the annual fee of $50,000, contained terms similar to those in the original contract. Upon the termination of the second contract, Interstate undertook and thereafter maintained its own management.

After January 1, 1932, construction was relatively light and the fees and expenses paid Ford, Bacon and Davis between that time and December 31, 1940, amounted to only $10,731. During the years 1932 to 1940, construction fees and expenses in small amounts were also paid to Williams Brothers Corp. In 1939, Ford, Bacon and Davis Construction Corporation built for Interstate approximately 35,523 feet of 6 inch field line from the Shell Oil Company's property, across the Mississippi River into St. James Parish to United Gas Pipe Line Company's main 18 inch New Orleans line. For building this line that Corporation was paid by Interstate $26,860, or at the rate of 37½ cents per foot for laying line through land and $5.00 per foot for laying line across the Mississippi River.

In addition to amounts paid Ford, Bacon and Davis, Interstate expended the sum of $175,508 for engineering, superintendence, and other indirect costs in connection with construction, during the years 1926 to 1935,

inclusive. This sum is equivalent to about 1½% of the total construction costs of properties costing $12,037,553 as shown on page 6. It raises the percent of all fees and expenses on the total cost of property acquired and constructed amounting to $16,626,075, from 4.43 to 5.48%.

Subsequent to the period of primary construction in 1926 and 1927, the Company did not charge administrative and general expenses to its plant accounts.

Washington, D. C., March 2, 1942.

F. H. MAGRUDER,
(F. H. Magruder)
Principal Examiner of Accounts.

VICTOR G. GOUGH,
(Victor G. Gough)
Supervising Examiner.

Approved:

W. E. BAKER,
(W. E. Baker)
Chief Accountant.

CHAS. W. SMITH,
(Chas. W. Smith)
Chief, Bureau of Accounts, Finance and Rates.

EX. 56.

Docket G-149.

Interstate Natural Gas Co., Inc.

Investment in Gas Plant.

Capitalized Cost per Books and as Adjusted—December 31, 1940.

Item No. (a)	Schedule Number (b)	Account Numbers I. N. G. (c)	Account Numbers F. P. C. (d)	Account Classification (e)	Total Cost Per Books (f)	Examiners' Reclassifications Dr. (g)	Examiners' Reclassifications Cr. (h)	Per Books Reclassified (i)
				Natural Gas Production Plant.				
				Natural Gas Acreage:				
1	2	302.1	330.1	Natural Gas Producing Lands	$	$188,801.30	$	$ 188,801.30
2	3	301.2	330.21	Natural Gas Producing Leaseholds—Operated	134,561.96	28,727.71	3,074.37	160,434.13
3	4	300.2	330.22	Natural Gas Producing Leaseholds—Unoperated	43,561.96	7,474.37	28,727.71	22,308.62
4	5	301.3	330.31	Natural Gas Rights—Operated	2,901,825.52	.....	154,860.28	2,746,965.24
5	6	300.3	330.32	Natural Gas Rights—Unoperated	91,725.46	.....	12,660.46	79,065.00
				Total Natural Gas Acreage	3,171,893.73	225,003.38	199,322.82	3,197,574.29
7	11	302.3	330.4	Rights-of-Way	.....	35,189.65	.....	35,189.65
8	7	302.1	330.5	Other Land and Land Rights	.....	15,083.88	.....	15,083.88
9	8	306.8	331.22	Field Measuring and Regulating Station Structures	14,539.97	.....	.....	14,539.97
10	9		331.3	Other Productoon System Structures	.....	6,517.76	.....	6,517.76
				Producing Gas Wells:				
11	10	306.3	332.1	Well Construction	673,965.33	.....	.....	673,965.33
12	10	306.1	332.21	Well Equipment—Pipe	401,168.85	.....	.....	401,168.85
13	10	306.2	332.22	Well Equipment—Fittings	33,925.64	.....	.....	33,925.64
				Total Producing Gas Wells	1,109,069.82	.....	.....	1,109,059.82
			333.1	Field Lines:				
15	11	306.4	333.11	Pipe	748,602.91	.....	.....	748,602.91
16	11	306.5	333.12	Fittings	83,658.76	.....	.....	83,658.76
17	11	306.6	333.13	Construction—Labor	269,481.16	.....	.....	269,481.16
18	11	306.7	333.14	Construction—Miscellaneous	177,505.07	.....	.....	177,505.07
19				Total Field Lines	1,279,247.90	.....	.....	1,279,247.90
20	8	306.9	333.22	Field Measuring and Regulating Station Equipment	102,663.85	.....	.....	102,663.85
21	29			Construction Overheads	.....	.....	.....	.....
22				Total Natural Gas Production Plant	$5,677,405.27	$281,794.67	$199,322.82	$5,759,877.12

Per Books Reclassified (i)	Examiners' Adjustments Dr. (j)	Examiners' Adjustments Cr. (k)	As Adjusted (l)
$ 188,801.30	$.....	$.....	$ 188,801.30
160,434.13	123,792.04	118,745.80	165,480.37
22,308.62	5,407.07	25,377.27	2,338.42
2,746,965.24	11,427.37	1,638.35	2,756,754.26
79,065.00	560,269.03	78,174.00	561,160.03
3,197,574.29	700,895.51	223,935.42	3,674,534.38
35,189.65	.....	2,934.79	32,254.86
15,083.88	.....	.....	15,083.88
14,539.97	.....	583.48	13,956.49
6,517.76	.....	.....	6,517.76
673,965.33	71,452.16	18,455.65	726,961.84
401,168.85	21,683.40	17,845.55	405,006.70
33,925.64	2,320.56	1,909.84	34,336.36
1,109,059.82	95,456.12	38,211.04	1,166,304.90
748,602.91	.....	9,660.18	736,942.73
83,658.76	.....	858.84	82,799.92
269,481.16	.....	5,447.48	264,033.68
177,505.07	.....	2,349.36	175,155.71
1,279,247.90	.....	18,315.86	1,260,932.04
102,663.85	128.34	2,651.29	100,140.90
.....	55,064.82	183.98	54,880.84
$5,759,877.12	$851,544.79	$286,815.86	$6,324,606.05

Item No. (a)	Schedule Number (b)	Account Numbers I. N. G. (c)	Account Numbers F. P. C. (d)	Account Classification (e)	Total Cost Per Books (f)	Examiners' Reclassifications Dr. (g)	Examiners' Reclassifications Cr. (h)	Per Books Reclassified (i)
				Transmission Plant.				
23	12	302.1	361.1	Land	$	$ 31,740.91	$	$ 31,740.91
24	13	302.3	351.2	Land Rights—Rights-of-Way	.....	230,771.12	.....	230,771.12
25	14	306.21	352.1	Pumping Station Structures	516,540.83	64,525.86	.....	581,066.69
26	15	306.23	352.2	Measuring and Regulating Station Structures	26,568.32	.....	.....	26,568.32
27	16	306.29	352.3	Other Transmission System Structures	11,541.39	164,153.00	.....	175,694.39
			353	Mains:				
28	17	306.25	353.1	Pipe	6,265,386.38	.....	.....	6,265,386.38
29	17	306.26	353.2	Fittings	1,049,524.77	.....	.....	1,049,524.77
30	17	306.27	353.3	Construction—Labor	3,024,695.66	.....	.....	3,024,695.66
31	17	306.28	353.4	Construction—Miscellaneous	1,293,356.61	30,732.76	.....	1,324,089.37
32				Total Mains	11,632,963.42	30,732.76	.....	11,663,696.18
33	18		353	Gulf Natural Gas Corporation Pipe Line—Purchased	95,000.00	.....	.....	95,000.00
34	19	306.22	354.1	Pumping Station Equipment	1,631,918.50	266.23	.....	1,632,184.73
35	15	306.24	354.2	Measuring and Regulating Station Equipment	68,817.60	.....	.....	68,817.60
36	20	306.30	354.3	Other Transmission System Equipment	45,047.82	.....	45,047.82	.....
37	29			Construction Overhead	.....	.....	.....	.....
38				Total Transmission Plant	14,028,397.88	522,189.88	45,047.82	14,505,539.94
				General Plant.				
39	21	306.50	371	Structures and Improvements	191,408.47	16.12	170,670.76	20,753.83
40	22	306.51	372	Office Furniture and Equipment	24,702.77	.....	.....	24,792.77
41	23	306.53	373	Transportation Equipment	51,877.86	.....	.....	51,877.86
42	24	306.54	374	Stores Equipment	2,646.90	.....	.....	2,646.90
43	25	306.55	376	Laboratory Equipment	.....	345.20	.....	345.20
44	26	306.55	377	Tools and Work Equipment	.....	13,703.63	.....	13,703.63
45	27	306.52	378	Communication Equipment	132,556.68	.....	.....	132,556.68
46	28	306.55	379	Miscellaneous Equipment	23,019.21	.....	.....	23,019.21
47	29			Construction Overheads	.....	.....	16.12	(16.12)
48				Total General Plant	426,301.89	$14,064.95	$170,686.88	$269,679.96
49	32	302.1		Fee Lands	$ 140,618.76	$	$137,031.21	$ 3,587.55
50		302.5		Easements—Rights-of-Way	265,960.77	.....	265,960.77	.....
51			100.1	Total Gas Plant in Service	20,538,684.57	818,049.50	818,049.50	20,538,684.57
52	30		100.2	Gas Plant Leased to Others	.....	.....	.....	.....
53	31	308	100.3	Construction Work in Progress	29,041.05	.....	.....	29,041.05
54			100	Total Gas Plant	$20,567,725.62	$818,049.50	$818,049.50	$20,567,725.62
				See Schedule		1-A	1-A	

tions	Per Books Reclassified (i)	Examiners' Adjustments Dr. (j)	Examiners' Adjustments Cr. (k)	As Adjusted (l)
...	$ 31,740.91	$.....	$.....	$ 31,740.91
...	230,771.12	26,583.38	21.84	257,332.66
...	581,066.69	.....	1,402.57	579,664.12
...	26,568.32	3,714.06	.....	30,282.38
...	175,694.39	.....	.....	175,694.39
...	6,265,386.38	5,130.86	5,403.73	6,265,113.51
...	1,049,524.77	91.50	19,243.28	1,030,372.99
...	3,024,695.66	7,398.43	58,652.40	2,973,441.69
...	1,324,089.37	41,334.51	1,144.62	1,364,279.26
...	11,663,696.18	53,955.30	84,444.03	11,633,207.45
...	95,000.00	.....	.....	95,000.00
...	1,632,184.73	.....	.....	1,632,184.73
...	68,817.60	9,009.99	.....	77,827.59
.82	.....	2,446.48	.....	2,446.48
...	.....	120,081.83	.....	120,081.83
.82	14,505,539.94	215,791.04	85,868.44	14,635,462.54
.76	20,753.83	.....	17,207.05	3,546.78
..	24,792.77	.....	.....	24,792.77
..	51,877.86	.....	.....	51,877.86
..	2,646.90	.....	.....	2,646.90
..	345.20	.....	.....	345.20
..	13,703.63	.....	.....	13,703.63
..	132,556.68	20,479.81	.....	153,036.49
..	23,019.21	.....	.....	23,019.21
12	(16.12)	2,591.79	.....	2,575.67
.88	$269,679.96	$23,071.60	$17,207.05	$275,544.51
21	$ 3,587.55	$	$ 3,587.55	$ .....
77	.....	.....	.....	.....
50	20,538,684.57	1,090,407.43	393,478.90	21,235,613.10
..	.....	13,267.98	.....	13,267.98
..	29,041.05	.....	15,601.11	13,438.94
50	$20,567,725.62	$1,103,675.41	$409,081.01	$21,262,319.02

EX. 57.

Docket G-149.

Interstate Natural Gas Company, Incorporated.

A Corporate and Financial History
of
Interstate Natural Gas Company, Incorporated.

Under date of December 5, 1939, the Federal Power Commission issued an order of investigation into and concerning all rates, charges, classifications, rules, regulations, practices or contracts of Interstate Natural Gas Company, Incorporated, and pursuant thereto an examination of the accounts and records of that company was undertaken. The more important facts relative to that company's organization, capitalization, control, and operations, gathered in the course of that examination are set forth in this history which covers the period begun with the date of the incorporation of the company, April 1, 1926, and ended December 31, 1940.

In addition to text, this history includes eight schedules, which set forth for the years 1926 to 1940 inclusive, the company's balance sheets, a statement of its capital stock issued and outstanding. its income and surplus accounts, and a computation of the ratio of Net Income to Capital.

Organization.

This section of the report sets forth the manner and purpose of the organization of Interstate Natural Gas Company, Incorporated; the type and amount of its securities; the names of the principal holders of its securi-

ties; and the means by which Standard Oil Company (New Jersey) exercised control over it.

Incorporation and Purposes.

Interstate Natural Gas Company, Incorporated, was incorporated under the laws of the State of Delaware on April 1, 1926, under the terms of a certificate of incorporation which provided that it should have perpetual existence and permitted it, among other things, to own, construct, maintain, and operate gas wells, pipe lines, and compressing stations, together with other necessary appurtenance and equipment required to buy, produce, store, transport and sell natural gas.

The organization of Interstate Natural Gas Company, Incorporated, was carried out pursuant to an agreement entered into on October 9, 1925, between Standard Oil Company (New Jersey), the "Purchaser", and Ford, Bacon and Davis, Inc., "Engineers", which stipulated among other things:

"1. That the Purchaser, owning the entire capital stock of Standard Oil Company of Louisiana and desiring to decrease the fuel costs of the latter company's oil refinery at Baton Rouge, by the use of gas, contemplates the acquisition of gas reserves in the Monroe Gas Field and, the construction of a transmission system therefrom to said refinery.

"2. That the Engineers were to act as agent for the Purchaser in the acquisition of the gas reserves and other properties, principally the gas holdings of the Texas Company, the so-called Walbridge or H. C. Morris, Trustee, interests and the so-called Frost-Johnson interests, and to construct, operate and manage the proposed natural gas system.

"3. That Purchaser will cause Standard Oil Company of Louisiana to enter into a ten year contract to purchase at least 60,000,000 cubic feet of gas per day at 15 cents per m. c. f., from a new corporation (Interstate Natural Gas Company, Incorporated) to be formed to own and operate said natural gas system.

"4. That Engineers shall receive for their services in connection with—

a. Acquisition of Properties.

1. 75% of the per diem charges, then in effect in retainers contract, for Engineers' personnel so engaged, plus their expenses.

2. $100,000 within 30 days from date of delivery of properties acquired by Engineers and accepted by Purchaser.

3. $25,000 additional in the event Engineers avail themselves of the services of Mr. Harvey C. Couch, President of Southern Power and Light Company, in assisting in the consolidation of the gas acreage in question.

b. Construction of Properties.

1. Salaries and expenses of Engineers personnel delegated to such work, plus 50% of said salaries as overhead.

2. A flat fee of $300,000 for primary construction necessary to make delivery of gas to the oil refinery of Standard Oil Company of Louisiana at Baton Rouge.

3. 4% of all construction, in addition to the construction termed as primary, plus Engineers' expenses pertaining thereto.

4. Construction arrangements to continue for five years from acceptance by Purchaser of acquisition agreements, subject to renewal by Purchaser on same terms for an additional five year period, provided minimum payments thereunder aggregate $5,000 per year.

c. Management of Properties.

1. A net fee of $50,000 per annum payable monthly, after all expenses, in consideration of Engineers furnishing engineering, technical and management advice and supervising current operations for a period of five years from date of first commercial delivery of gas to the oil refinery at Baton Rouge, subject to renewal by Purchaser at a net annual fee of $55,000, payable monthly."

Directors and Officers.

The names of the persons who have been the company's directors and officers from the date of its inception to December 31, 1940, are shown in the ensuing tabulation.

Directors and Officers
1926—1940.

Directors		
Name	From	To
Wm. von Phul	4- 1-26	*
Reid L. Carr	4- 1-26	*
E. A. Frost	4- 1-26	*
R. W. Gallagher	4- 1-26	12-15-35
H. C. Cooper	4- 1-26	6- 5-34
J. B. Luse	4- 1-26	5-16-29
Christy Payne	4- 1-26	6-14-33
E. E. DuVall	5-16-29	*
Harold A. Koechling	6-14-33	12-15-33
B. D. Yates		
Jas. E. Comerford		

Officers		
Title	From	To
President	4-13-26	5- 2-35
Vice-Pres.	6-14-33	12-15-33
Treasurer	4-13-26	5-16-29
Vice-Pres.	4-13-26	6-14-33
Secretary	4-13-26	*
Asst. Treas.	12-15-33	*
Asst. Treas.	4-13-26	5-16-29
Asst. Sec'y.	5-24-28	5-16-29
Treasurer	5-16-29	12-15-33
Vice-Pres.	5- 4-32	6- 5-34
Asst. Treas.	4-13-26	7-22-27
Asst. Sec'y.	8-26-26	*
Asst. Treas.	5-16-29	12-15-33
Treasurer	12-15-33	*

Directors		
Name	From	To
A. H. Salisbury		
F. H. Lerch, Jr.	12-15-33	*
W. A. Dougherty	12-15-33	*
James H. Durbin	6- 5-34	*
John Gordon		

Officers		
Title	From	To
Asst. Treas.	7-22-27	*
Vice-Pres.	12-15-33	5- 2-35
President	5- 2-35	*
Vice-Pres.	6- 5-34	*
Gen. Mgr.	11-22-39	

* Incumbent—December 31, 1940.

Capitalization.

During the 1926-40 period, Interstate Natural Gas Company, Incorporated, authorized the issue of one class of capital stock, without par value, (the only one authorized in its certificate of incorporation), in the number of 1,000,000 shares; and, one mortgage bond issue, namely, its First Mortgage Ten Year 6% Sinking Fund Gold Bonds, dated July 1, 1926, in the aggregate principal sum of $11,500,000. In addition to issuing these, it assumed $27,000 of the Ten Year 7% Debenture Bonds of Union Power Company, Inc., dated July 1, 1923. The three issues are further discussed below.

Capital Stock Issued: Initially, in August 1926, Interstate issued 600,000 shares of capital stock at $5 a share, or for $3,000,000, of which 125,000 and 375,000 shares were sold for cash to Southern Carbon Company and to Standard Oil Company (New Jersey), respectively, and 100,000 shares were issued to Union Power Company, Inc. in part payment for property. In the years 1926 to 1930, inclusive, bondholders acquired 114,620 shares more of the stock pursuant to a condition of the company's bond indenture which permitted them, before January 1, 1930, to purchase 10 shares at $10 a share, for each $1,000 bond held by them. And in 1929, stockholders exercising stock rights granted them by the board of directors on August 29, 1929 purchased 238,333 more shares at $10 a share. No other shares have been issued and none reacquired, so that at December 31, 1940, there were outstanding the 952,953 shares enumerated above, which had been issued for a total consideration of $6,529,530, consisting of $500,000 in property and $6,029,530 in cash.

A tabulation of the issuance of the company's capital stock is given in Schedule 2.

Bonds Issued: The entire issue of $11,500,000 of First Mortgage Ten Year 6% Sinking Fund Gold Bonds was disposed of in August 1926, for a total consideration of $12,025,000, as follows:

Bonds Issued.

Particulars	Face Amount	5% Premium	Total
For Cash:			
Rockefeller Foundation and Rockefeller Institute for Medical Research	$5,000,000	$250,000	$ 5,250,000
Southern Carbon Company	1,250,000	62,500	1,312,500
Southern Power Company	700,000	35,000	735,000
Other Purchasers	3,550,000	177,500	3,727,500
Total Cash Consideration	10,500,000	525,000	11,025,000
For Property			
Union Power Company, Inc., in part payment	1,000,00		1,000,000
Total Consideration	$11,500,000	$525,000	$12,025,000
Deduct:			
Commissions Paid		$ 25,000	
Other Bond Expenses		33,315	58,315
Net Proceeds from Issue			$11,966,685

The payment of the principal and interest of this issue was secured by an indenture of mortgage covering

the corporation's properties, executed and delivered to the National Bank of Commerce of New York, as Trustee.

The retirement of the bond issue was started in 1928 and by July 1, 1936, had been completed. Of the total amount of bonds retired, bonds in the principal amount of $6,596,000 were purchased in the open market for approximately 103.13% of their face value and the residue in the principal amount of $4,904,000 for 105, with funds deposited semi-annually with the Trustee. The premium paid to retire the whole issue was $451,968.94, an amount which averages slightly more than 3.91% of the principal amount of $11,500,000.

A major portion of the proceeds of these bonds went to Standard Oil Company (New Jersey) to reimburse it for expenditures that it had made in connection with the initial acquisition and construction of Interstate's properties and for interest accrued on those expenditures at the rate of 6%. The expenditures amounted to $8,479,104 and the interest to $90,979.

Bonds Assumed: Interstate Natural Gas Company, Incorporated assumed the liability to pay $927,000 of the Ten Year 7% Debenture Bonds of Union Power Company, Inc., in partial consideration of property purchased from that Company in 1926. The liability assumed on these bonds was met and they were retired in 1926 and 1927.

Control.

Control of Interstate Natural Gas Company, Incorporated, has rested continuously in Standard Oil Company (New Jersey) from the date of the incorporation of the

Interstate Company to the present, and has been exercised by virtue of the ownership of a majority of its capital stock. As pointed out above, Standard Oil originally purchased 375,000 shares of Interstate's capital stock; it later acquired more. Since January 3, 1930, Standard's holdings of this stock have remained constant at 514,266 shares which is 53.9% of the entire issue outstanding. The names of the company's stockholders as of August 31, 1926 and as of April 16, 1941, the date for which they were last obtained, is as follows:

Stockholders and Holdings.

	August 31, 1926		April 16, 1941	
Stockholder of Record	No. of Shares	% of Total	No. of Shares	% of Total
Standard Oil Company (N. J.)	375,000	62.50	514,266	53.97
Rockefeller Foundation	.....	....	33,763	3.54
Rockefeller Institute for Medical Research	.....	....	40,000	4.20
Southern Carbon Company	125,000	20.83	.....	....
Columbian Carbon Company	.....	....	148,957	15.53
Union Power Company, Inc.	100,000	16.67	.....	....
Frost Lumber Industries, Inc.	.....	....	70,000	7.35
American Republics Corp.	.....	....	42,920	4.50
Other Stockholders (928)	.....	.....	103,047	10.81
Total	600,000	100.00	952,953	100.00

Utility Plant.

The book cost of the gas plant of Interstate Natural Gas Company, Incorporated, amounted to $20,567,726 on De-

cember 31, 1940, and represented plant both acquired and constructed. The nature of this plant and its growth are briefly discussed below. The following tabulation shows its growth in dollars year by year; the December 31 balances are the same as those that appear for Fixed Capital in the company's balance sheets which are shown in Schedule 1.

Year	Gross Additions	Retirements	Net Additions	Balance December 31
1926	$12,799,023	$ 17,784	$12,781,239	$12,781,239
1927	1,258,945	9,340	1,249,605	14,030,844
1928	330,382	21,076	309,306	14,340,150
1929	3,033,378	25,544	3,007,834	17,347,984
1930	695,096	181,675	513,421	17,861,405
1931	263,614	32,688	230,926	18,092,331
1932	268,285	101,021	167,264	18,259,595
1933	27,958	26,235	1,723	18,261,318
1934	187,437	85,947	101,490	18,362,808
1935	456,440	595,248	(138,808)	18,224,000
1936	429,666	148,491	281,175	18,505,175
1937	1,010,727	42,779	967,948	19,473,123
1938	225,457	67,844	157,613	19,630,736
1939	220,488	28,562	191,926	19,822,662
1940	914,565	169,501	745,064	20,567,726
Total	$22,121,461	$1,553,735	$20,567,726	$20,567,726

Plant Acquired.

The gross additions of $22,121,461 shown above include the acquisitions which are listed and briefly explained below.

Acquired Year	Vendor	Amount Paid by Interstate	Net Value on Books of Vendor	Book Profit (or Loss) to Vendor
1926	Union Power Co., Inc.	$2,886,382	$371,127	$2,515,255
1926	H. D. Walbridge and H. C. Morris, Trustees	419,997	not known	not known
1937	Mississippi River Fuel Corporation	185,000	213,351	(28,351)
1940	Gulf Natural Gas Corp.	95,000	136,648	(41,648)
		$3,586,379		

Union Power Company, Inc.: On July 26, 1926, Interstate Gas Company, Incorporated, acquired from Union Power Company, Inc., gas rights to approximately 40,000 acres of land, certain other natural gas property, and a carbon black plant, all located in the Monroe gas field in Louisiana, for the aggregate amount of $3,477,185, which was paid as follows:

Particulars	Amount
Cash	$1,050,185
Interstate Natural Gas Company's First Mortgage Ten Year 6% Sinking Fund Gold Bonds	1,000,000
Capital Stock—100,000 shares @ $5 a share	500,000
Assumption of liability—Union Power Company's Ten Year 7% Debenture Bond	927,000
Total	$3,477,185

H. D. Walbridge and H. C. Morris, Trustee: In 1926 Interstate purchased from Walbridge and Morris, rights-of-way, the constructed portion of a pipeline which was to have run from the Monroe gas field to Baton Rouge, Louisiana, and quantities of unlaid pipe and other materials.

Mississippi River Fuel Corporation: In November 1936, Interstate acquired from Mississippi River Fuel Corporation a 16 inch pipeline which ran 25.32 miles, from the Richland gas field in Louisiana, to Perryville, Louisiana. This line, which had been constructed in 1929 by Mississippi River Fuel Corporation, was operated by that company until the time when, upon the cessation of the production of gas in commercial quantities in the Richland field, it was sold to Interstate. The consideration paid for the property was $185,000 in cash.

Gulf Natural Gas Corporation: On November 29, 1940, Interstate acquired jointly with United Gas Pipe Line Company, from the Liquidator of Gulf Natural Gas Corporation, a 12 inch pipe line which ran 12.69 miles, from the Lake Long gas field in Louisiana to Mathews, Louisiana, together with field and tap lines and other appurtenances. This line which had been constructed for Gulf Natural Gas Corporation in the latter part of 1938 by William Brothers Corp. under a turn key contract was operated by that company for less than one year, to October 11, 1939, and during that time supplied only a single customer. From October 11, 1939, the line lay idle until July 1, 1940, when it was leased to United Gas Pipe Line Company. After its purchase, this line was extended by United and Interstate south to the Lirette gas field and east to United's 18 inch New Orleans Main line so that it now has a total length of approximately 48 miles. Since the completion of the extensions, in the latter part

of 1940, it has been operated jointly by United and Interstate. The total consideration paid for the property was $190,000 in cash, of which Interstate paid half.

Plant Constructed.

The main transmission line of the company was constructed in 1926 and the first delivery of gas was made through it on January 3, 1927 to the Baton Rouge refinery of Standard Oil Company of Louisiana. The line extends from Fowler, Louisiana, in the Monroe gas field, to Baton Rouge, Louisiana, a distance of approximately 172 miles, and cuts across the southwest corner of Mississippi for about 44 miles. Originally it was a single line, constructed principally of 22 inch O. D. Lapweld, Dresser coupled pipe, weighing 93 pounds per foot; at river, creek, and swamp crossing, multiple lines of 10-3/4 to 14 inch O. D. pipe, having screw and welded joints, were used. Since the time of its original installation, the capacity of the line has been substantially increased by the construction of approximately 126 miles of parallel loop lines, mostly 22 inch, and of an additional compressing station at Ferriday, Louisiana.

A map filed with the Commission by the Interstate Company, in compliance with the Commission's Order No. 61, provides a general description of the line, which includes: the number of miles of different sizes of main, loop and tap lines; the points of its connection with the lines of other companies; the location and capacities of compressing station equipment; and the daily capacities of the main transmission lines, according to the varying initial and terminal pressure.

Other large additions to the company's plant have also been made. Since the organization of the company the

number of its wells have been increased by 84 to a total of 98 and well and field line construction for the additional wells has been completed. Each of the company's two compressing stations have been enlarged from four to six compressing units and approximately 35 miles of 12 inch line, extending from Gulf Natural Gas Corporation's 12 inch line south to the Lirette gas field and northeast to United Gas Pipe Line Company's 18 inch New Orleans main line, with laterals and telephone system, have been constructed. This line was constructed jointly with United Gas Pipe Line Company and Interstate's one-half share thereof amounted to $498,414.

In December 1939, Interstate Natural Gas Company and United Gas Pipe Line Company jointly leased from The Texas Company an 8 inch pipe line 35 miles long, extending from the Lafitte gas field to the city gate station at Marrero, Louisiana.

In 1940 Interstate entered into contracts to buy gas in three newly discovered fields located between Baton Rouge and New Orleans and constructed about 15 miles of 6 and 8 inch lines from the points of purchase in the fields to United Gas Pipe Line Company's New Orleans main line to transport this gas.

Plant Retired.

During the 1926-40 period, Interstate Natural Gas Company, Incorporated, retired utility plant amounting to $1,553,735. This sum is about 7% of all utility plant acquired and constructed by the company during the fifteen years of its existence. Of the retirements, unoperated gas acreage accounts for $893,520, or nearly 58% of total retirements and operated gas acreage for $75,760, or about 5%; retirements of transportation and other

equipment account for $191,441, or about 12%; and, retirements of transmission plant for $116,497, or about 8%. Retirements of transmission plant equalled less than 1% of the amount invested in that class of plant.

Reserves.

Interstate Natural Gas Company carries on its books three reserves applicable to its utility plant, viz: a reserve for depreciation; a reserve for depletion; and a reserve for amortization. At December 31, 1940, the book balances of these three reserves amounted to $10,094,461, a sum equivalent to 49% of the company's investment in utility plant on that date. The growth of the reserves to the amount is shown for the years 1926 to 1940, inclusive, in the following tabulation:

Reserves for Depreciation, Depletion and Amortization.

Year	Provision	Retirements	Net Increase	Balance December 31
1926	$ 68,276	$ 892	$ 67,384	$ 67,384
1927	455,929	4,632	451,297	518,681
1928	452,727	17,800	434,927	953,608
1929	484,450	7,359	477,091	1,430,699
1930	613,219*	32,101	581,118	2,011,817
1931	775,993*	27,385	748,608	2,760,425
1932	781,320†	(909)	782,229	3,542,654
1933	736,095	19,798	716,297	4,258,951
1934	809,202*	30,851	778,351	5,037,302
1935	1,280,573*	511,305	769,268	5,806,570
1936	831,789	125,797	705,992	6,512,562
1937	878,443	19,578	858,865	7,371,427
1938	903,701	16,064	887,637	8,259,064
1939	1,095,123	14,483	1,080,640	9,339,704
1940	902,885	148,128	754,757	10,094,461
	$11,069,725	$975,264	$10,094,461	$10,094,461

Note: Amounts marked * and † include accruals and adjustments made through surplus or expense as follows:

*1930 Accrual for amortization of unoperated gas leases	$ 30,963
1931 Accrual for depreciation of Brock Compressing Station	125,750
1934 Accrual for amortization of organization expense	64,871
1935 Accrual for amortization of gas rights	485,175
Total	$706,759
†Accrual of depreciation of main loop lines	$183,165
Adjustment of accrual for automobiles and other plant	(57,959)
Reversal of accruals for depletion	(94,669)
Total	$30,537

The total provisions made for the three reserves and the retirements of investment in plant charged against them, during the period of the company's existence are:

Depreciation, Depletion and Amortization—1926-1940.

Particulars	Total Provision	Total Retirements	Balance in Reserves
Reserve for Depreciation	$ 9,864,696*	$271,338†	$9,593,358
Reserve for Depletion	459,029	8,593	450,436
Reserve for Amortization	746,000	695,333	50,667
Total	$11,069,725	$975,264	$10,094,461

*Includes amortization of rights-of-way and organization expense.
†Includes minor adjustments.

The difference between the amount of retirements charged to the reserves ($975,264) and the amounted credited gas plant accounts ($1,553,735) consists chiefly of retirements charged to Surplus or Expense, and of Salvage.

The balances in the plant accounts and in their respective reserves, and the respective ratio of plant to reserve are as follows:

Utility Plant and Reserves—December 31, 1940.

Particulars	Utility Plant	Reserves	Ratio of Reserves to Plant
Natural Gas Producing Plant:			
Operated Gas Acreage	$ 3,036,606	$ 450,436	14.83%
Unoperated Gas Acreage	135,288	50,667	37.45
Wells, Field Lines, etc.	2,540,701	925,057	36.41
Transmission Plant	14,259,169	8,413,143	59.00
General Plant	426,302	255,158	59.85
Sub-total	$20,398,066	$10,094,461	49.48%
Fee Lands	140,619		
Construction Work in Progress	29,041		
Total	$20,567,726	$10,094,461	49.08%

Depreciation:

Provision for depreciation was made for both the tangible and intangible natural gas production and transmission plant investment. From January 1, 1927 to June 1, 1929, it was computed monthly on the lump sum of $9,000,000 at the rate of 5% per annum; and from June 1, 1929 to December 31, 1940, monthly on the book balances of the plant accounts exclusive of the general plant accounts, at the rate of 5% per annum. From June 1929

on, there were several rates used for general plant, namely, 25% for transportation equipment, and 5 and 4% for structures, and 10 and 5% for communication equipment.

At different times, the company employed different methods of accounting for its realized depreciation on plant retired. From the inception of the company to June 30, 1929, the cost of the plant retired, less salvage, was charged entirely to the reserve for depreciation. After June 30, 1929, the amount charged the reserve was something less than the entire amount of realized depreciation and the portion thereof not debited to reserve was written off to income or surplus. The portion chargeable to the reserve was determined by applying to either original cost or original cost less salvage, of the plant retired, the percentage ratio of the entire balance in the reserve for depreciation to the entire balance in the depreciable plant investment accounts.

Depletion:

Provision for depletion of gas reserves was made at the rate of 3/4¢ per mcf of gas produced, for the period begun February 13, 1926 and ended October 1, 1932; 1/4¢ per mcf for the years 1936, 1937 and 1938, and 3/4¢ per mcf for 1939. No provision was set up for the years 1933, 1934 and 1935. For 1940, the rate of $0.0009146345 per mcf of gas produced was used. This last rate is the quotient of the amount of net investment in "producing gas acreage" divided by the number of mcf in the estimated recoverable gas reserves under that acreage on December 31, 1940. To compute it the company used the net depleted investment and the estimated gas reserves applicable to the gas acreage on which producing wells were located, rather than the total investment and the total estimated recoverable gas reserves applicable to all gas acreage classified on the books by the company as "Operated Gas Acreage".

In 1932 depletion provisions for the period begun February 13, 1926 and ended October 1, 1932 were transferred by the company from the reserve for depletion to earned surplus.

The sole charge against the reserve for depletion is a charge to record the loss through litigation, of part of Parcel 426. Of the total amount of this loss, $8,592, the portion provided for this parcel in the reserve was charged to the reserve, and $63,482 was charged to surplus.

Amortization:

The company has followed the practice of amortizing that portion of the cost of its "Unoperated Gas Acreage" that is covered by leases and rights. The cost of each lease is amortized over the period covered by the lease, and the cost of the rights over a ten-year period, which under Louisiana law is the period of prescription for gas rights. The company amortized leases for the first time in 1930 and gas rights for the first time in 1935. In 1930 it wrote off to surplus the total cost of all leases that had expired to that time and in 1935 charged to surplus the cost of all rights about to expire and credited the amount so charged to a reserve for amortization of unoperated gas rights. In each instance, thenceforth, provision was made annually for the amortization of the cost of unoperated leases and gas rights mainly through charges to operating expenses.

Unoperated gas rights and leases retired and charged the reserve for amortization amount to $695,333 and those retired and charged other accounts amount to $201,868.

In the discussion of depletion and amortization above, the terms Operated Gas Acreage, Unoperated Gas Acreage, and Producing Gas Acreage have been used. They are definable as follows:

Operated Gas Acreage consists of all those tracts of land, the gas rights to which were perpetuated, under Louisiana law, by the drilling of wells.

Producing Gas Acreage is that Operated Gas Acreage which has wells upon it.

Unoperated Gas Acreage consists of all gas acreage not classified as Operated Gas Acreage.

Producing Gas Acreage has been subject to depletion charges in the manner set forth under the caption "Depletion" above; Unoperated Gas Acreage except that held in fee, has been subject to amortization.

Income and Surplus.

Operating Revenues, Operating Revenue Deductions, Net Utility Income, Other Income, Income Deductions, and Net Income transferred to Surplus, for the years 1926 to 1940, inclusive, as shown by the books of the company, are set forth in Schedule 4.

Revenues:

The revenues of the company have been derived mainly from Gas Sales and the Transportation of Gas for Others. Relatively, other income has been minor, consisting chiefly of the loss or gain from the operations of a carbon black plant and a plantation. The carbon black plant was purchased from Union Power Company, Inc., along with gas acreage, and the plantation primarily to obtain right-of-way and a suitable point for crossing the Mississippi River. Other Income also includes miscellaneous rentals and interest.

Gas Sales have grown, irregularly, from $2,915,805 in 1927, the first full year of operations, to $5,361,861 in

1940. Revenue from the Transportation of Gas for Others, first earned in 1928, has been earned every year since that time and in 1940 amounted to $1,106,937.

In 1940 Gas Sales consisted of industrial sales of $3,248,204, sales to pipeline companies for resale of $1,507,017, and other sales for resale of $606,645. Of the company's fifteen industrial customers, the largest was Standard Oil Company of Louisiana, an affiliate, which purchased gas in the amount of $1,817,671. Pipeline company sales were made to three companies: Mississippi River Fuel Company, United Gas Pipe Line Company, and Southern Natural Gas Company. Other sales for resale were made at city gates chiefly in Louisiana, to eighteen customers.

Revenue from the Transportation of Gas for Others arose, except for several hundred dollars thereof each year, from transportation of gas for United Gas Pipe Line Company. Nearly all of this gas was transported through the company's mains that extend from Fowler to Baton Rouge.

The magnitude of the operations from which Interstate earned its revenues, exclusive of the Revenues from the Transportation of Gas for Others, is indicated by the volume of gas produced, purchased, and sold which is set forth in the ensuing tabulation.

Millions of Cubic Feet of Gas Produced, Purchased, and Sold.

Year	Gas Produced	Gas Purchased	Gas Produced and Purchased	Total Sales
1926	5,714		5,714	5,714
1927	791	21,934	22,725	22,838
1928	363	26,919	27,282	27,443
1929	810	27,087	27,897	28,444

Year	Gas Produced	Gas Purchased	Gas Produced and Purchased	Total Sales
1930	1,797	26,613	28,410	29,393
1931	2,091	24,520	26,611	27,470
1932	2,936	19,339	22,275	23,065
1933	2,407	20,509	22,916	23,730
1934	3,436	23,597	27,033	27,662
1935	8,067	26,075	34,142	34,551
1936	12,743	27,999	40,742	41,059
1937	24,235	21,874	46,109	46,596
1938	25,895	20,569	45,964	46,247
1939	30,738	21,342	52,080	52,319
1940	25,787	29,646	55,433	56,230
	147,310	338,023	485,333	492,761

The volume of gas sold exceeds the volume of gas produced and purchased as shown above, for the reason among others, that meter readings in the field are not corrected for temperature changes whereas sales readings are, and for deviations from Boyle's Law.

The volume of gas sold shown above, may be subdivided as follows:

Millions of Cubic Feet of Gas Sold.

Year	Total Sales	Industrial Sales	Pipeline Company Sales for Resale	Other Sales for Resale	Other Sales
1926	5,714	5,714			
1927	22,838	22,437		401	
1928	27,443	26,523	19	895	6
1929	28,444	26,886	452	1,070	36
1930	29,393	22,302	6,096	980	15
1931	27,470	19,885	6,833	745	7
1932	23,065	15,489	6,754	821	1

Year	Total Sales	Industrial Sales	Pipeline Company Sales for Resale	Other Sales for Resale	Other Sales
1933	23,730	15,258	7,756	716	
1934	27,662	16,910	9,931	821	
1935	34,551	19,442	14,212	893	4
1936	41,059	18,801	21,123	1,046	89
1937	46,596	20,865	24,552	1,124	55
1938	46,247	22,534	22,400	1,267	46
1939	52,319	24,607	26,277	1,398	37
1940	56,230	27,721	24,437	3,998	74
	492,761	305,374	170,842	16,175	370

Expenses:

Operating Revenue Deductions for years 1926-1940, inclusive, per books, are set forth in Schedule 5 under six headings, viz: Operating Expenses, Gas purchases, Depreciation and Depletion, Taxes, Delay Rentals, and Amortization of Unoperated Gas Acreage. These deductions have increased from $1,928,423 in 1927, the first full year of operations to $4,430,472 in 1940.

Income Deductions for the years 1926-1940, inclusive, per books are set forth in Schedule 6.

Earned Surplus:

A summary of the Earned Surplus Account for the years ended December 31, 1926 to 1940, inclusive, per books, is set forth in Schedule 3. A reclassification of certain items in this account to income is shown in Schedules 7 and 8. Dividends shown in Schedule 3 of $10,101,301, were all paid in cash.

Washington, D. C., January 23, 1942.

H. F. MAGRUDER,
(H. F. Magruder),
Principal Examiner of Accounts.

VICTOR G. GOUGH,
(Victor G. Gough),
Supervising Examiner.

Approved:

W. E. BAKER,
(W. E. Baker),
Chief Accountant.

CHAS. W. SMITH,
(Chas. W. Smith),
Chief, Bureau of Accounts,
Finance and Rates.

Comparative Condensed Balance Sheets—Per Books December 31, 1926, to December 31, 1940 Inclusive.

December 31 (a)	Assets and Other Debits: Fixed Assets (b)	Investment and Fund Accounts (c)	Current and Accrued Assets (d)	Deferred Debits (e)	Total (f)	Liabilities and Other Credits: Capital Stock (g)	Long Term Debt (h)	Current & Accrued Liabilities (i)	Deferred Credits (j)	Reserves (k)	Surplus (Schedule 3) (l)	Total (m)
1926	$12,781,239	$1,511,140	$2,008,808	$	$16,301,187	$3,011,000	$12,363,500	$ 480,836	$443,589	$ 127,406	$(125,144)	$16,301,187
1927	14,030,844	1,354,181	1,016,114	3,505	16,404,644	3,014,000	11,500,000	565,957	433,370	664,789	226,528	16,404,644
1928	14,340,150	985,928	807,272	4,386	16,137,736	3,014,500	10,222,000	254,162	318,641	1,186,483	1,141,950	16,137,736
1929	17,347,984	1,475,439	1,314,273	12,678	20,150,374	6,521,830	8,944,000	422,429	208,861	1,749,716	2,303,538	20,150,374
1930	17,861,405	1,447,878	821,548	14,209	20,145,040	6,529,530	7,666,000	319,754	134,276	2,417,306	3,078,174	20,145,040
1931	18,092,331	1,427,467	911,496	3,739	20,435,033	6,529,530	6,388,000	610,278	125,316	3,252,230	3,529,679	20,435,033
1932	18,259,594	1,439,595	758,648	1,405	20,459,242	6,529,530	5,110,000	888,251	47,199	4,065,253	3,819,009	20,459,242
1933	18,261,317	1,435,589	1,074,618	8,381	20,779,905	6,529,530	3,832,000	1,468,366	7,785	4,781,550	4,160,674	20,779,905
1934	18,362,807	150,500	841,336	71,709	19,426,352	6,529,530	2,554,000	562,718	.....	5,037,302	4,742,802	19,426,352
1935	18,223,999	152,158	842,014	72	19,218,243	6,529,530	637,000	875,212	.....	5,862,071	5,314,430	19,218,243
1936	18,505,175	150,693	964,810	47	19,620,725	6,529,530	.....	1,111,803	.....	6,568,062	5,411,330	19,620,725
1937	19,473,122	118,542	856,552	596	20,448,812	6,529,530	.....	1,214,858	.....	7,377,293	5,327,131	20,448,812
1938	19,630,735	114,858	1,419,607	1,865	21,167,065	6,529,530	.....	673,332	.....	8,264,916	5,699,287	21,167,065
1939	19,822,661	106,607	2,553,109	59,097	22,541,474	6,529,530	.....	864,838	.....	9,339,704	5,807,602	22,541,474
1940	20,567,726	102,624	2,999,504	77,450	23,747,304	6,529,530	.....	1,249,327	.....	10,094,465	5,873,982	23,747,304

* See Schedule 2.
Parenthesis denote red figures.

Docket G-149. Interstate Natural Gas Company, Incorporated. Schedule 2.

Capital Stock Authorized, Issued and Outstanding December 31, 1940.

Item No. (a)	Particulars (b)	Number of Shares—No Par Value: Initial Issue (c)	Exercise of: Warrants (d)	Exercise of: Rights (e)	Total (f)	Consideration Received: Per Share (g)	Property (h)	Cash (i)	Total (j)
	Authorized:								
1	Capital Stock—non par value April 1, 1926	.....	.....	.....	1,000,000	....	.....	.....	.....
	Stock Option Warrants and Stock Rights to be exercised by —								
2	Bondholders, on or before January 1, 1930—10 shares per each $1,000 bond	.....	115,000	.....	.....	....	.....	.....	.....
3	Stockholders, on or before October 15, 1929—1 share for each 3 shares held	.....	.....	238,333	.....	....	.....	.....	.....
	Issued and Outstanding:								
	1926								
4	Union Power Company, Inc.	100,000	.....	.....	100,000	$ 5.00	$500,000	$.....	$ 500,000
5	Southern Carbon Company	125,000	.....	.....	125,000	5.00	.....	625,000	625,000
6	Standard Oil Company (N. J.)	375,000	.....	.....	375,000	5.00	.....	1,875,000	1,875,000
7	Total of Above	600,000	.....	.....	600,000	$ 5.00	$500,000	$2,500,000	$3,000,000
8	Bondholders	.....	1,100	.....	1,100	10.00	.....	11,000	11,000
9	Total to December 31, 1926	600,000	1,100	.....	601,100	....	$500,000	$2,511,000	$3,011,000
	1927								
10	Bondholders	.....	300	.....	300	$10.00	.....	3,000	3,000
11	Total to December 31, 1927	600,000	1,400	.....	601,400	....	$500,000	$2,514,000	$3,014,000
	1928								
12	Bondholders	.....	50	.....	50	$10.00	.....	500	500
13	Total to December 31, 1928	600,000	1,450	.....	601,450	....	$500,000	$2,514,500	$3,014,500
	1929								
14	Bondholders	.....	112,400	.....	112,400	$10.00	.....	1,124,000	1,124,000
15	Stockholders	.....	.....	238,333	238,333	10.00	.....	2,383,330	2,383,330
16	Total to December 31, 1929	600,000	113,850	238,333	952,183	....	$500,000	$6,021,830	$6,521,830

	1930							
17	Bondholders	.....	770	.....	770	$10.00	.....	7,700	7,700
18	Total Issued and Outstanding December 31, 1930, to December 31, 1940—constant	600,000	114,620	238,333	952,953	....	$500,000	$6,029,330	$6,529,530
19	Originally issued to:								
19	Union Power Company, Inc.	100,000	.....	.....	100,000	$ 5.00	$500,000	$.....	$ 500,000
20	Southern Carbon Company	125,000	.....	41,807	166,807	6.25	.....	1,043,070	1,043,070
21	Standard Oil Company (N. J.)	375,000	10,494	128,772	514,266	6.35	.....	3,267,660	3,267,660
22	Frost Lumber Industries, Inc.	.....	5,000	18,390	23,390	10.00	.....	233,900	233,900
23	American Republics Corporation	.....	4	16,723	16,727	10.00	.....	167,270	167,270
24	Others	.....	99,122	32,641	131,763	10.00	.....	1,317,630	1,317,630
	Total	600,000	114,620	238,333	952,953	....	$500,000	$6,029,530	$6,529,530

Docket G-149. Schedule 3.

Interstate Natural Gas Company, Incorporated.

Summary of Earned Surplus Account—Per Books—Years Ended December 31, 1926 to 1940, Inclusive.

Year (a)	Net Income (Schedule 4) (b)	Direct Surplus Credits (c)	Surplus Deductions		Net Surplus Change For Year (f)	Surplus Balance End of Year (g)
			Dividends Paid (d)	Other (e)		
1926	$(126,826)	$ 1,682	$.....	$.....	$ (125,144)	$ (125,144)
1927	356,430	1,896	.....	8,655	351,671	226,528
1928	869,666	57,853	.....	12,097	915,422	1,141,950
1929	1,184,704	10,962	.....	34,078	1,161,588	2,303,538
1930	1,331,768	41,912	238,238	360,806	774,636	3,078,174
1931	950,558	12,347	238,238	273,162	451,505	3,529,679
1932	494,817	214,241	.....	419,728	289,330	3,819,009
1933	350,395	27,879	.....	36,600	341,665	4,160,674
1934	673,256	32,954	.....	124,082	582,128	4,742,802
1935	1,108,760	3,543	.....	540,675	571,628	5,314,430
1936	1,732,621	31,947	1,667,668	.....	96,900	5,411,330
1937	2,383,513	9,966	2,477,678	.....	(84,199)	5,327,131
1938	2,032,488	7,335	1,667,667	.....	372,156	5,699,287
1939	2,004,683	9,538	1,905,906	.....	108,315	5,807,602
1940	2,041,238	28,073	1,905,906	97,025	66,380	5,873,982
Total	$17,388,071	$494,129	$10,101,301	$1,906,917	$5,873,982	$5,873,982

Parenthesis denote red figures.

Docket G-149. Interstate Natural Gas Company, Incorporated. Schedule 4.

Comparative Condensed Income Accounts—Per Books
Year Ended December 31, 1926, to 1940, Inclusive.

Year (a)	Operating Revenue: Gas Sales (b)	Operating Revenue: Transportation of Gas (c)	Operating Revenue: Other Operating Revenue (d)	Operating Revenue: Total (e)	Operating Revenue Deductions (Schedule 5) (f)	Net Utility Income (g)	Other Income (Net) (h)	Gross Income (i)	Income Deductions (j)	Net Income to Surplus (k)
1926	$ 149,646	$	$	$ 149,646	$ 107,987	$ 41,659	$ 56,918	$ 98,577	$ 225,403	$ (126,826)
1927	2,915,805	.....	.....	2,915,805	1,928,423	987,382	39,624	1,027,006	670,576	356,430
1928	3,686,860	135,869	223	3,822,952	2,360,016	1,462,936	(36,529)	1,426,407	556,741	869,666
1929	3,624,491	707,272	.....	4,331,763	2,613,888	1,717,875	(25,258)	1,692,617	507,913	1,184,704
1930	3,623,527	821,244	2,111	4,446,882	2,696,401	1,750,481	41,862	1,792,343	460,575	1,331,768
1931	3,268,207	742,637	1,658	4,012,502	2,670,016	1,342,486	29,859	1,372,345	421,787	950,558
1932	2,530,789	687,820	1,558	3,220,167	2,386,223	833,944	16,261	850,205	355,388	494,817
1933	2,470,044	674,882	1,613	3,146,539	2,493,047	653,492	13,104	666,596	316,201	350,395
1934	2,983,104	794,094	.....	3,777,198	2,814,857	962,341	(11,552)	950,789	277,533	673,256
1935	3,536,385	1,013,029	153	4,549,567	3,239,694	1,309,873	617	1,310,490	201,730	1,108,760
1936	4,092,927	1,180,847	1,563	5,275,337	3,525,913	1,749,424	2,931	1,752,355	19,734	1,732,621
1937	4,560,744	1,298,049	1,431	5,860,224	3,480,307	2,379,917	3,602	2,383,519	6	2,383,513
1938	4,310,979	1,249,214	1,301	5,561,494	3,529,359	2,032,135	3,096	2,035,231	2,743	2,032,488
1939	4,568,379	1,290,555	1,106	5,860,040	3,863,768	1,996,272	8,411	2,004,683	....	2,004,683
1940	5,361,862	1,106,937	993	6,469,792	4,430,472	2,039,320	10,955	2,050,275	9,037	2,041,238
Total	$51,683,749	$11,702,449	$13,710	$63,399,908	$42,140,371	$21,259,537	$153,901	$21,413,438	$4,025,367	$17,388,071

Parenthesis denote red figures.

Docket G-149. Interstate Natural Gas Company, Incorporated. Schedule 5.

Summary of Operating Revenue Deductions—Per Books—Years Ended December 31, 1926, to December 31, 1940, Inclusive.

Year (a)	Operating Expenses* (b)	Gas Purchased (c)	Depreciation and Depletion (d)	Taxes (e)	Sub-Total (f)	Delay Rentals (g)	Amortization of Unoperated Gas Acreage (h)	Total (i)
1926	$ 32,589	$.....	$ 68,276	$ 7,122	$ 107,987	$.....	$	$ 107,987
1927	422,589	907,277	455,929	137,003	1,922,798	5,625	.....	1,928,423
1928	485,517	1,132,495	454,034	282,983	2,355,029	4,987	.....	2,360,016
1929	604,761	1,194,528	484,911	326,412	2,610,612	3,276	.....	2,613,888
1930	566,169	1,152,886	572,501	393,985	2,685,541	1,105	9,755	2,696,401
1931	598,933	1,110,194	644,693	309,246	2,663,066	1,401	5,549	2,670,016
1932	512,318	828,462	741,411	295,541	2,377,732	2,547	5,944	2,386,223
1933	554,805	919,633	730,384	280,213	2,485,035	2,408	5,604	2,493,047
1934	574,037	1,144,401	739,607	349,334	2,807,379	2,752	4,726	2,814,857
1935	583,421	1,359,631	745,990	492,069	3,181,111	9,176	49,407	3,239,694
1936	579,266	1,487,613	784,356	617,753	3,468,988	9,492	47,433	3,525,913
1937	633,845	1,182,684	833,811	776,027	3,426,367	9,661	44,279	3,480,307
1938	660,394	1,108,556	860,009	847,222	3,476,181	9,486	43,692	3,529,359
1939	705,343	1,148,147	1,051,934	905,195	3,810,619	9,960	43,189	3,863,768
1940	889,972	1,495,635	867,085	1,141,325	4,394,017	655	35,800	4,430,472
Total	$8,403,959	$16,172,142	$10,034,931	$7,161,430	$41,772,462	$72,531	$295,378	$42,140,371

* Except Gas Purchased.

Docket G-149. Schedule 6.

Interstate Natural Gas Company, Incorporated, Income Deductions—Per Books,

Years Ended December 31, 1926 to December 31, 1940, Inclusive.

Year (a)	Interest on Long-Term Debt (b)	Amortization* (c)	Other Interest Charges (d)	Miscellaneous Income Deductions (e)	Total (f)
1926	$248,750	$(23,347)			$225,403
1927	690,000	(46,693)		$27,269	670,576
1928	630,777	(74,036)			556,741
1929	555,810	(63,681)	7,382	8,402	507,913
1930	482,511	(32,319)		10,383	460,575
1931	417,268	(4,738)		9,257	421,787
1932	334,107	12,062		9,219	355,388
1933	255,810	34,794	25,597		316,201
1934	201,415	56,078	20,040		277,533
1935	95,422	95,871	10,437		201,730
1936	19,110		624		19,734
1937			6		6
1938			2,743		2,743
1939					
1940			9,037		9,037
Total	$3,930,980	$(46,009)	$75,866	$64,530	$4,025,367

Parentheses denote red figures.

* Amortization of Expense and Premium on Debt—Net.

Docket G-149. Interstate Natural Gas Company, Incorporated. Schedule 7.

Summary of Net Income and Capital Accounts and Ratio of Net Income to Capital. 1926—1940.

Year (a)	Net Income to Surplus (Schedule 4) (b)	Surplus Items Reclassified to Income (Schedule 5) (c)	Net Income as Classified (d)	Capital Accounts			Ratio of Net Income as Reclassified to Capital Per Cent (h)
				Capital Stock (Schedule 1) (e)	Surplus January 1 (Schedule 1) (f)	Total (g)	
1926	$(126,826)	$(47,477)	$(174,303)	$3,011,000	$.....	$3,011,000	....
1927	356,430	(48,775)	307,655	3,014,000	(125,144)	2,888,856	10.6
1928	869,666	(92,549)	777,117	3,014,500	226,528	3,241,028	23.9
1929	1,184,704	(156,609)	1,028,095	4,768,165*	1,141,950	5,910,115	17.4
1930	1,331,768	(373,499)	958,269	6,529,530	2,303,538	8,833,068	10.8
1931	950,558	(294,574)	655,984	6,529,530	3,078,174	9,607,704	6.8
1932	494,817	(169,068)	325,749	6,529,530	3,529,679	10,059,209	3.2
1933	350,395	(96,547)	253,848	6,529,530	3,819,009	10,348,539	2.5
1934	673,256	(63,275)	609,981	6,529,530	4,160,674	10,690,204	5.7
1935	1,108,760	14,947	1,123,707	6,529,530	4,742,802	11,272,332	10.0
1936	1,732,621	(3,035)	1,729,586	6,529,530	5,314,430	11,843,960	14.6
1937	2,383,513	(8,665)	2,374,848	6,529,530	5,411,330	11,940,860	19.9
1938	2,032,488	(11,462)	2,021,026	6,529,530	5,327,131	11,856,661	17.0
1939	2,004,683	(25,473)	1,979,210	6,529,530	5,699,587	12,228,817	16.2
1940	2,041,238	.....	2,041,238	6,529,530	5,807,602	12,337,132	16.5

* Average of balances:

January 1, 1929	$3,014,500
December 31, 1929	6,521,830

Note: No attempt is made in the above presentation to adjust income for excessive annual accruals for depreciation and depletion nor invested capital for excessive book reserves for depreciation and depletion.

Docket G-140. Interstate Natural Gas Company, Incorporated. Schedule 8.

Summary of Surplus Items Classified to Income.
1926—1940.

		Operating Revenue Deductions					Exploration and Development Amortization of			
Year (a)	Operating Revenues (b)	Operating Expenses (c)	Gas Purchased (d)	Depreciation (e)	Depletion (f)	Taxes (g)	Delay Rentals (h)	Unoperated Acreage (i)	Other Income and Income Deductions (j)	Total (Schedule 7) (k)
1926	$ 76	$ 4,038	$	$ 11,614	$47,743	$ 2,194	$(626)	$(115,795)	$ 3,277	$(47,477)
1927	(573)	14,499	.....	8,256	5,929	3,155	(1,150)	(95,522)	16,631	(48,775)
1928	(6,443)	(10,681)	.....	(13,348)	2,727	(13,746)	....	(74,380)	20,322	(92,549)
1929	8,959	(25,989)	.....	(59,952)	6,075	(12,627)	....	(67,086)	(5,989)	(156,609)
1930	1,678	(23,023)	(24,704)	(146,520)	9,233	5,611	....	(57,350)	(138,424)	(373,499)
1931	(2,182)	(15,708)	(25,795)	(103,067)	11,335	14,059	....	(58,537)	(114,679)	(294,574)
1932	10,829	(43,102)	.....	(9,261)	11,627	17,638	....	(59,479)	(97,320)	(169,068)
1933	(172)	(13,178)	(145)	(9,267)	.....	9,188	....	(59,479)	(23,494)	(96,547)
1934	1	1	.....	.....	.....	2,319	....	(59,479)	(6,117)	(63,275)
1935	....	.....	.....	.....	.....	14,947	....	.....	.....	14,947
1936	....	.....	.....	.....	.....	(3,035)	....	.....	.....	(3,035)
1937	....	.....	.....	.....	.....	(8,665)	....	.....	.....	(8,665)
1938	....	.....	.....	.....	.....	(11,462)	....	.....	.....	(11,462)
1939	....	.....	.....	.....	.....	(25,473)	....	.....	.....	(25,473)
1940	....	.....	.....	.....	.....	.....	....	.....	.....	.....

Parenthesis denote decreases in Net Income.

EX. 57-A.

Docket G-149.

Addenda to a Corporate and Financial History of Interstate Natural Gas Company, Incorporated.

Attached hereto is a computation of the Rate of Return Earned by the company on its net Utility Plant Investment and Estimated Working Capital, for each of the years 1927 to 1941, inclusive.

The net utility plant investment is the average of the opening and closing balances of the company's utility plant accounts for each of the calendar years, less the average of the opening and closing balances of its reserves for depreciation, depletion, and amortization for the respective years, both after the adjustment for items applicable thereto which the company had entered in its Earned Surplus Account. The extent of the adjustments to "Utility Plant" is minor, and effects only the years 1927 to 1934, inclusive, there being no adjustment for any year subsequent to 1934. They are shown on lines 2 and 5.

Estimated Working Capital of $348,089 is the amount determined in another study to be appropriate as working capital for the purpose of this case.

Net Utility Income is the net utility income shown by the company's books after apply items pertinent to income which are entered in the Earned Surplus Account. However, no items in the 1941 Earned Surplus have been applied.

The division of the amount of Net Utility Income as defined above by the sum of the amounts of Adjusted Average Net Utility Plant Investment and Estimated Working Capital gives the rate of return earned. This rate is shown for each year on line 21. It ranges from a low of 4.07% in 1933, to a high of 19.72% in 1941.

Since its inception, Interstate Natural Gas Company Incorporated, has paid dividends as follows:

Dividends—1926-1941.

Year	Amount	Per Share
1930	$ 238,238	$ .25
1931	238,238	.25
1936	1,667,667	1.75
1937	2,477,678	2.60
1938	1,667,668	1.75
1939	1,905,906	2.00
1940	1,905,906	2.00
1941*	.....	2.20

* According to Moody's Public Utility Manual, Interstate Natural Gas Company, Incorporated, declared two dividends in 1941 of $1.00 and $1.20 per share respectively.

Docket G-149

Interstate Natural Gas Company, Inc.

COMPUTATION OF RETURN EARNED ON AVERAGE NET UTILITY PLANT INVESTMENT AND ESTIMATED WORKING CAPITAL - PER BOOKS
AFTER RECLASSIFYING COMPANY'S SURPLUS ADJUSTMENTS TO THE YEARS AFFECTED

For the Years Ended December 31

Item No. (a)	Particulars (b)	1927 (c)	1928 (d)	1929 (e)	1930 (f)	1931 (g)	1932 (h)	1933 (i)
1	Utility Plant at beginning of year -	$ 12,781,239.25	$ 14,030,844.25	$ 14,340,150.20	$ 17,347,983.71	$ 17,861,405.17	$ 18,092,330.97	$ 18,259,594.44
2	Examiners' application of Company's Surplus Adjustments to the years affected	4,324.82	4,139.62	(1,586.74)	(11,458.19)	(16,932.68)	(27,122.03)	(65,619.47)
3	Total - as Adjusted	12,785,563.87	14,034,983.87	14,338,563.46	17,336,525.52	17,844,472.49	18,065,208.94	18,203,974.97
4	Utility Plant at end of year	14,030,844.25	14,340,150.20	17,347,983.71	17,861,405.17	18,092,330.97	18,259,594.44	18,281,317.21
5	Examiners' application of Company's Surplus Adjustments to the years affected	4,139.62	(1,586.74)	(11,458.19)	(16,932.68)	(27,122.03)	(65,619.47)	(64,908.12)
6	Total - as Adjusted	14,034,983.87	14,338,563.46	17,336,525.52	17,844,472.49	18,065,208.94	18,203,974.97	18,196,409.09
7	Total - Items 3 and 6	26,820,547.74	28,373,547.33	31,675,068.98	35,180,998.01	35,909,681.43	36,269,183.91	36,400,384.06
8	Average Total Utility Plant - as Adjusted	13,410,273.87	14,186,773.67	15,837,544.49	17,590,499.01	17,954,840.72	18,134,591.96	18,200,192.03
9	Depreciation, Depletion and Amortization Reserves at beginning of year -	67,384.62	318,681.67	953,808.68	1,430,699.83	2,011,817.57	2,760,425.37	3,542,654.40
10	Examiners' application of Company's Surplus Adjustments to the years affected	35,955.03	131,807.14	308,030.50	322,511.11	354,562.12	370,797.91	368,167.09
11	Total - as Adjusted	123,340.25	650,488.81	1,161,839.18	1,753,210.94	2,366,379.69	3,131,223.28	3,910,821.49
12	Depreciation, Depletion and Amortization Reserves at end of year -	318,681.67	953,808.68	1,430,699.83	2,011,817.57	2,760,425.37	3,542,654.40	4,258,951.84
13	Examiners' application of Company's Surplus Adjustments to the years affected	131,807.14	308,030.50	322,511.11	354,562.12	370,797.91	368,167.09	425,696.23
14	Total - as Adjusted	650,488.81	1,161,839.18	1,753,210.94	2,366,379.69	3,131,223.28	3,910,821.49	4,684,648.37
15	Total - Items 11 and 14	773,829.06	1,812,127.99	2,914,850.12	4,119,590.63	5,497,602.97	7,042,044.77	8,595,469.86
16	Average Total Depreciation, Depletion and Amortization Reserves - as Adjusted	386,914.53	906,063.99	1,457,425.06	2,059,795.32	2,748,801.49	3,521,022.39	4,297,734.93
17	Average Net Utility Plant - Item 8 Minus Item 16	13,023,359.84	13,280,709.68	14,380,119.43	15,530,703.69	15,206,039.23	14,613,569.57	13,902,457.10
18	Estimated Working Capital	348,089.00	348,089.00	348,089.00	348,089.00	348,089.00	348,089.00	348,089.00
19	Average Net Utility Plant plus Estimated Working Capital - Items 17 and 18	13,371,448.34	13,628,796.68	14,728,208.43	15,878,792.69	15,554,128.23	14,961,658.57	14,250,546.10
20	Net Utility Income after Examiners' application of Company's Surplus Adjustments to the years affected-Schedule 5 Item 15	$ 921,975.48	$ 1,380,064.91	$ 1,567,254.70	$ 1,515,406.14	$ 1,162,590.24	$ 762,195.33	$ 580,428.68
21	Return Earned on Average Net Utility Plant Investment and Estimated Working Capital	6.90%	9.91%	10.84%	9.54%	7.47%	5.09%	4.07%

Docket G-140

Interstate Natural Gas Company, Inc.

COMPUTATION OF RETURN EARNED ON AVERAGE NET UTILITY PLANT INVESTMENT AND ESTIMATED WORKING CAPITAL - PER BOOKS
AFTER RECLASSIFYING COMPANY'S SURPLUS ADJUSTMENTS TO THE YEARS AFFECTED

For the Years Ended December 31

Item No.	Particulars	1934	1935	1936	1937	1938	1939	1940	1941
(a)	(b)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
1	Utility Plant at beginning of year -	$ 10,261,217.21	$ 10,268,807.34	$ 10,233,699.34	$ 10,808,174.70	$ 10,473,122.34	$ 10,830,734.55	$ 10,822,861.39	$80,547,725.62
2	Examiners' application of Company's Surplus Adjustments to the years affected	(24,056.13)							
3	Total - as Adjusted	10,237,161.08	10,268,807.34	10,233,699.34	10,808,174.70	10,473,122.34	10,830,734.55	10,822,861.39	80,547,725.62
4	Utility Plant at end of year	10,268,807.34	10,233,699.34	10,808,174.70	10,473,122.34	10,830,734.55	10,822,861.39	20,547,725.62	80,906,190.59
5	Examiners' application of Company's Surplus Adjustments to the years affected								
6	Total - as Adjusted	10,268,807.34	10,233,699.34	10,808,174.70	10,473,122.34	10,830,734.55	10,822,861.39	20,547,725.62	80,906,190.59
7	Total - Items 3 and 6	20,505,968.42	20,502,506.68	21,041,874.04	21,281,297.04	21,303,856.89	21,653,595.94	41,370,587.01	161,453,916.21
8	Average Total Utility Plant - as Adjusted	10,252,984.17	10,251,253.34	10,520,937.02	10,640,648.52	10,651,928.45	10,826,797.97	20,685,293.50	80,726,958.09
9	Depreciation, Depletion and Amortization Reserves at beginning of year -	4,250,342.94	4,887,302.32	5,308,970.77	5,312,982.38	7,371,627.34	8,250,084.12	9,339,705.98	10,094,480.98
10	Examiners' application of Company's Surplus Adjustments to the years affected	125,695.38	668,175.55						
11	Total - as Adjusted	4,376,038.32	5,555,477.87	5,308,970.77	5,312,982.38	7,371,627.34	8,250,084.12	9,339,705.98	10,094,480.98
12	Depreciation, Depletion and Amortization Reserves at end of year -	4,887,302.32	5,308,970.77	5,312,982.38	7,371,627.34	8,250,084.12	9,339,705.98	10,094,480.98	10,981,780.21
13	Examiners' application of Company's Surplus Adjustments to the years affected	668,175.55							
14	Total - as Adjusted	5,555,477.87	5,308,970.77	5,312,982.38	7,371,627.34	8,250,084.12	9,339,705.98	10,094,480.98	10,981,780.21
15	Total - Items 11 and 14	10,931,516.19	10,864,448.64	10,621,953.15	12,684,609.72	15,621,711.46	17,590,790.10	19,434,186.96	21,076,261.19
16	Average Total Depreciation, Depletion and Amortization Reserves - as Adjusted	5,465,758.09	5,432,224.32	5,310,976.58	6,342,304.73	7,810,855.79	8,795,394.04	9,717,093.47	10,538,020.60
17	Average Net Utility Plant - Item 8 Minus Item 16	13,176,048.14	13,088,879.01	12,209,960.45	12,047,153.77	11,736,882.92	10,827,314.08	10,679,111.04	10,198,971.51
18	Estimated Working Capital	348,089.00	348,089.00	348,089.00	348,089.00	348,089.00	348,089.00	348,089.00	348,089.00
19	Average Net Utility Plant plus Estimated Working Capital - Items 17 and 18	13,524,134.14	13,436,968.01	12,558,049.45	12,395,242.77	12,084,771.92	11,175,403.08	10,858,200.04	10,547,060.51
20	Net Utility Income after Examiners' application of Company's Surplus Adjustments to the years affected-Schedule 2 Item 18	906,102.84	1,324,219.27	1,766,389.97	2,271,281.48	2,020,672.80	1,970,798.96	2,039,220.05	2,079,374.29
21	Return Earned on Average Net Utility Plant Investment and Estimated Working Capital	6.69%	10.21%	14.11%	18.33%	16.72%	17.64%	18.84%	19.72%

234

EXHIBIT No. 59.

Witness .....

Federal Power Commission.

Docket No. G-149.

In Re: Interstate Natural Gas Company, Incorporated.

Depreciation and Depletion
1926-1940.

Federal Power Commission, Docket No. ..... Exhibit No. 59 (For Identification). Date Identified 6/19/42.

Federal Power Commission Docket No. G-132, et al. Hearing Ex. No. 59, 6/19/42.

Bureau of Accounts, Finance and Rates.
Division of Accounts.

Docket G-149.

Interstate Natural Gas Company, Incorporated.

Depreciation and Depletion
For the Years 1926-1940.

Table of Contents.

	Page
Written Statement	1
Introduction	1
Reserve for Depreciation	2
Reserve for Depletion	6

Schedules:

No.	Description	
1	Reserve for Depreciation of Gas Plant as adjusted by examiners, 1926-1940	9
2	Reserve for Depreciation of Gas Plant per books, 1926-1940	10
3	Summary of examiners' adjustments to Reserve for Depreciation, 1926-1940 ..	11
4	Provisions for Depreciation of Gas Plant as adjusted by examiners, 1926-1940 ..	15
5	Provisions for Depreciation of Natural Gas Production Plant as adjusted by examiners, 1926-1940	16
6	Provisions for Depreciation of Transmission Plant as adjusted by examiners, 1926-1940	17
7	Provisions for Depreciation of General Plant as adjusted by examiners, 1926-1940	18
8	Realized Depreciation of Gas Plant as adjusted by examiners, 1926-1940	19
9	Provisions and Charges to Reserve for Depreciation of Gas Plant by Primary Accounts as adjusted by examiners:	
9-A	For the year 1938	20
9-B	For the year 1939	21
9-B	For the year 1940	22
10	Reserve for Depletion as adjusted by examiners, 1926-1940	23
11	Reserve for Depletion per books, 1926-1940	24
12	Summary of examiners' adjustments to Reserve for Depletion, 1926-1940	25

Appendices:

No.	Description	
1	Depletion and Depreciation Factors as computed by examiners, based on estimated mcf of natural gas reserves and annual gas production, 1926-1940	26
2	Examiners' computation of Depletion Provision for Natural Gas Producing Acreage, 1926-1940	27
	* * *	
	Examiners' Journal Entries	28

Depreciation and Depletion.

Under date of December 5, 1939, the Federal Power Commission issued an order of investigation into and concerning all rates, charges, classifications, rules, regulations, practices or contracts of Interstate Natural Gas Company, Incorporated, and pursuant thereto an examination of that Company's accounts and records, including its Reserves for Depreciation and Depletion, was undertaken. These Reserves were examined for the period begun with the inception of the Company in 1926, and ended December 31, 1940, and they are the subject of this report.

In the report, the bases used by the Company in accruing provisions and charging retirements are pointed out; provisions for depreciation and depletion computed at rates established by means of service life and gas reserve studies are substituted for the provisions made by the Company; and charges to the reserves as they appear on the books are adjusted to the full amount of the depreciation and depletion realized on plant that has been retired. The substitutions and adjustments accomplish the primary purposes of the report which are to present the proper annual provisions for depreciation and depletion

and the proper requirements both for depreciation and depletion at December 31, 1940.

The report contains fourteen schedules, of which the first eleven relate to depreciation and the last three to depletion. The schedules are followed by Appendices 1 and 2 relating to depletion and, by examiners' journal entries. The entries reverse the Company's provisions, substitute for them the provisions computed by the examiners, and adjust the amounts charged by the Company to the reserves. The entries carry their own explanations.

Reserve for Depreciation.

The balance in the Reserve for Depreciation as adjusted at December 31, 1940, is $5,329,657.69—Schedule 1, and the balance in the Reserve per books as of that date is $9,469,134.04—Schedule 2. The difference in these amounts is explainable as follows:

	Per Books	As Adjusted	Difference
Provisions 1926-40	$9,647,194.54	$5,554,448.92	$4,092,745.62
Charges 1926-40	178,060.50	224,791.23	(46,730.73)
Balance—Dec. 31, 1940	$9,469,134.04	$5,329,657.69	$4,139,476.35

It may be traced to examiners' journal entries through the medium of Schedule 3, which is a summary of those entries.

The Reserve per books at December 31, 1940, does not include the Company's Reserve for Amortization of Rights-of-Way amounting to $124,223.80; however, Rights-of-Way investment has been included in the depreciation base in computing the adjusted depreciation provision, and the Company's Reserve therefor written off.

Provisions for Depreciation.

Company's Provisions: From the time of its inception in 1926 to December 31, 1940, the Company made provision in its Reserve for Depreciation, in the total amount of $9,647,194.54, by accruing annual provisions on the several classes of property at the following rates:

Description	Rates in Per Cent				
	1926	1927 1929	1929 1931	1932	1933 1940
Natural Gas Production Plant:					
Gas Wells	6.65	5	5	5	5
Field Lines	9.93	5	5	5	5
Measuring Stations	20.00	5	5	5	5
Transmission Plant:					
Compressing Stations	...	5	5	5	5
Main Lines	...	5	5	5	5
Other Structures and Equipment	...	5	5	5	5
General Plant:					
Structures	...	..	5	4	4
Office Equipment	...	..	7.5	10	10
Telephone Lines	9.83	..	10	5	5
Transportation Equipment	...	..	25	25	25
Warehouse Equipment	...	..	10	10	10
Other Equipment	...	..	20	20	20

The Reserve for Depreciation has been built up entirely from these provisions; it has never been increased as the result of a plant-acquisition transaction.

Examiner's' Allowance: In place of the provision for depreciation made by the Company a provision requirement for each year, from 1926 to 1940, inclusive, based on rates and information developed and furnished by Mr. Paul C. White of the Commission's Division of Rates and Research, has been computed.

That part of the depreciation provision which was made for plant represented by the accounts listed below is based on rates developed by Mr. White through service life studies:

Account No.	Account Name	Rate Per Cent
	Natural Gas Production Plant:	
330.4	Rights-of-Way—F-300 group	2.86
333.1	Field Lines—F-300 group	2.86
333.22	Measuring Station Equipment—F-300 group	2.86
331.22	Measuring Station Structures—F-300 group	2.86
	Transmission Plant:	
351.2	Land Rights or Rights-of-Way	2.86
352.1	Pumping Station Structures	2.86
352.2	Measuring and Regulating Station Structures	2.86
352.3	Other Transmission System Structures	2.86
353	Mains	2.86
354.1	Pumping Station Equipment	2.86
354.2	Measuring and Regulating Station Equipment	2.86
354.3	Other Transmission System Equipment	2.86
353	Gulf Natural Gas Corporation Pipe Line—purchased	2.86
	Construction Overheads	2.86
	General Plant:	
371	Structures and Improvements	2.86
372	Office Furniture and Equipment	5
373	Transportation Equipment	28.57
374	Stores Equipment	6.67
376	Laboratory Equipment	4
377	Tools and Work Equipment	5
378	Communication Equipment	4
379	Miscellaneous Equipment	5
	Construction Overheads	4

That part of the depreciation provision for plant represented by the following accounts is based on rates developed by the examiners from Mr. White's depletion studies:

Natural Gas Production Plant.

Account No.	Account Name
330.4	Rights-of-Way.
331.22	Field Measuring and Regulating Station Structures.
333.22	Field Measuring and Regulating Station Equipment.
331.3	Other Production System Structures.
332.12	Producing Gas Wells—Construction and Equipment.
333.1	Field Lines—Construction and Equipment.
	Construction Overheads.

The rates based on service life are constant for the entire 1926-40 period, and the rates based on depletion vary from year to year. The reason of the variableness of the latter rates and the manner in which they were developed is explained in the section of this report next below. For each of the fifteen years in the 1926-40 period, these latter rates were as follows:

Year	Per Cent	Year	Per Cent
1926	0.736688	1934	0.372130
1927	0.108943	1935	0.860209
1928	0.046011	1936	1.371680
1929	0.135047	1937	2.586466
1930	0.275179	1938	2.768430
1931	0.352579	1939	3.432768
1932	0.361395	1940	2.919507
1933	0.261149		

The provisions for depreciation made by the Company, including the examiners' reclassifications and adjustments thereof as between years, are reversed in Journal Entry 405. The examiners' substitute provisions are made in Journal Entry 407.

The provision allowed by the examiners for each plant account in each year is the product of the average of the opening and closing balances in the plant account as adjusted, multiplied by the depreciation rate ascribed to that account.

The provision for depreciation for Production, Transmission and General Plant as determined by the examiners, is shown year for year in Schedule 4. The break-down of those provisions for each of the three functional divisions of plant by accounts is shown in Schedules 5, 6 and 7.

Charges to Reserve:

Company's Charges: At different times, the Company employed different methods of accounting for its realized depreciation on plant retired. From the time of the Company's inception to June 30, 1929, the cost of the plant retired, less salvage, was charged entirely to the reserve for depreciation. After June 30, 1929, the amount charged the reserve was something less than the entire amount of realized depreciation and the portion thereof not debited to reserve was written off to income or surplus. The portion chargeable to the reserve was determined by applying to either original cost or original cost less salvage, of the plant retired, the percentage ratio of the entire balance in the reserve for depreciation to the entire balance in the depreciable plant investment accounts.

Examiners' Adjustments: The examiners' adjustments of charges to the Reserve for Depreciation were effected by means of a number of journal entries which are briefly described in Schedule 3; they were made to adjust the charges as shown on the books, to the full amount of realized depreciation on plant retired.

Schedule 8 shows the realized depreciation on Production, Transmission and General Plant, as adjusted by years.

Provisions and Charges for 1939 and 1940:

Provisions and charges to the Reserve for Depreciation of Gas Plant as adjusted, for the years 1938, 1939 and 1940, are shown by the primary accounts in Schedules A-A, 9-B and 9-C, respectively.

Reserve for Depletion.

The balance in the Reserve for Depletion as adjusted at December 31, 1940, is $437,108.07—Schedule 10, and the balance in the Reserve per books as of that date, is $450,435.94—Schedule 11. The difference between these amounts is explainable as follows:

	Per Books	As Adjusted	Difference
Provisions 1926-40	$459,028.55	$469,399.13	$10,370.58
Charges 1926-40	8,592.61	32,291.06	(23,698.45)
Balance—Dec. 31, 1940	$450,435.94	$437,108.07	$13,327.87

It may be traced to examiners' journal entries, through the medium of Schedule 12, which is a summary of those entries.

Provisions for Depletion.

Company's Provisions: From the time of its inception in 1926 to December 31, 1940, the Company made provision in its Reserve for Depletion to cover the exhaustion of its gas reserves, in the total amount of 459,028.55, by accruing annual provisions as follows:

Rates applied to annual mcf of gas produced:

1926	3/4¢	1934	....
1927	3/4¢	1935	....
1928	3/4¢	1936	1/4¢
1929	3/4¢	1937	1/4¢
1930	3/4¢	1938	1/4¢
1931	3/4¢	1939	3/4¢
1932	3/4¢	1940	.0009146345
1933			

The Reserve for Depletion has been built up entirely from provisions and, from transfers of accrued amortization from the Company's Reserve for Amortization of Unoperated Gas Acreage; it has never been increased as the result of a plant-acquisition transaction.

Examiners' Allowance: In place of the provision for depletion made by the Company a provision requirement for each year, from 1926 to 1940, inclusive, derived from the number of annual production and the number of mcf of gas reserves as determined and furnished by Mr. Paul C. White of the Commission's Division of Rates and Research has been substituted. It was developed by using the following formula:

$$\left(\begin{array}{c}\text{Adjusted Cost of Operating}\\ \text{Gas Acreage at December 31)}\end{array}\right) - \left(\begin{array}{c}\text{Adjusted accumulated}\\ \text{(Depletion Reserve at Dec.}\\ \text{31, before provision for}\\ \text{current year}\end{array}\right) = \text{Depletion Base}$$

$$\text{Depletion Base} \times \frac{\left(\begin{array}{c}\text{Mcf of Annual Production}\end{array}\right)}{\left(\begin{array}{c}\text{Mcf of Gas Reserve at Dec.}\\ \text{31, before deductions for}\\ \text{present year's production}\end{array}\right)} = \text{Annual Depletion Provision}$$

The examiners' computation of the depletion and depreciation factors, based on the above formula, for the 1926-40 period, is shown by Appendix 1. The application of the factors to the depletion bases, and the resulting provisions, is shown by Appendix 2.

Charges to Reserve:

Company's Charges: The sole charge against the Reserve for Depletion is a charge to record the loss through litigation, of part of Parcel 426. Of the total amount of this loss, $8,592.00 was charged to the Reserve.

Examiners' Adjustment: The examiners' adjustment of charges to the Reserve for Depletion is shown in Journal Entry AS-177, which increased the amount shown on the books to the proper realized depletion.

Washington, D. C., February 26, 1942.

F. H. MAGRUDER,
(F. H. Magruder),
Principal Examiner of Accounts.

VICTOR G. GOUGH,
(Victor G. Gough),
Supervising Examiner.

Approved:

W. E. BAKER,
(W. E. Baker),
Chief Accountant.

CHAS. W. SMITH,
(Chas. W. Smith),
Chief, Bureau of Accounts, Finance and Rates.

Docket G-149. Schedule 5.

Provisions for Depreciation of Natural Gas Production Plant.*

As Adjusted by Examiners.

1926—1940.

Year (a)	Balance at December 31: Plant Account As Adjusted (b)	Balance at December 31: Reserve Before Adding Year's Provision (c)	Amount to be Depreciated per Depletion Formula (d)	Depreciation Rate Per Cent** (e)	Annual Depreciation Provision (f)
1926	$ 617,726.67	$(565.75)	$ 618,292.32	0.736688	$ 4,554.89
1927	688,510.63	3,989.14	684,521.49	0.100943	690.99
1928	707,932.98	4,560.09	703,372.89	0.046011	323.62
1929	1,043,167.99	3,618.36	1,039,549.63	0.135047	1,403.87
1930	1,263,880.35	4,236.26	1,259,644.09	0.275179	3,466.28
1931	1,289,242.32	5,958.65	1,283,283.67	0.352579	4,524.59
1932	1,310,656.88	8,617.92	1,302,038.96	0.361395	4,705.48
1933	1,310,976.24	12,383.09	1,298,593.15	0.261149	3,391.26
1934	1,300,441.38	7,866.50	1,292,574.88	0.372130	4,810.05
1935	1,419,251.78	10,492.12	1,408,759.66	0.860209	12,118.27
1936	1,768,379.99	17,546.62	1,750,833.37	1.371680	24,015.82
1937	2,016,706.26	33,736.52	1,982,969.74	2.586466	51,288.85
1938	2,161,471.71	83,276.21	2,078,195.50	2.768430	57,533.39
1939	2,242,464.06	140,429.33	2,102,034.73	3.432768	73,118.82***
1940	2,464,789.20	212,026.64	2,252,762.56	2.919507	69,164.24***
			Total		$315,110.42

* Includes the following accounts:
330.4 Rights-of-Way.
331.22 Field Measuring and Regulating Station Structures.
331.3 Other Production System Structures.
332.12 Producing Gas Wells.
333.1 Field Lines.
333.22 Field Measuring and Regulating Station Equipment Construction Overheads.
Does not include Natural Gas Producing Lands and Leaseholds, nor Natural Gas rights, which are provided for through the Reserve for Depletion.

** Provisions for depreciation of Natural Gas Production Plant, except as indicated in note (***) below, is computed at the rate and according to the formula used for computing depletion provisions for the three natural gas producing acreage accounts named above.

*** Includes provisions of $960.81 in 1939, and $3,394.67 in 1940 for depreciation of the F-300 group of field lines South of Baton Rouge, computed at the Transmission Plant rate of 2.86%.

Docket G-149. Schedule 10.

Interstate Natural Gas Company, Incorporated.

Reserve for Depletion as Adjusted by Examiners.
1926—1940.

Year	Provisions	Realized Depletion	Net Increase	Balance December 31
1926	$ 17,458.74	$.....	$ 17,458.74	$17,458.74
1927	2,427.61	.....	2,427.61	19,886.35
1928	1,122.64	.....	1,122.64	21,008.99
1929	3,927.93	.....	3,927.93	24,936.92
1930	8,105.09	.....	8,105.09	33,042.01
1931	10,401.24	32,291.06	(21,889.82)	11,152.19
1932	10,599.83	.....	10,599.83	21,752.02
1933	7,631.90	.....	7,631.90	29,383.92
1934	10,857.33	.....	10,857.33	40,241.25
1935	25,477.12	.....	25,477.12	65,718.37
1936	40,416.41	.....	40,416.41	106,134.78
1937	75,728.35	.....	75,728.35	181,863.13
1938	79,162.62	.....	79,162.62	261,025.75
1939	95,669.14	.....	95,669.14	356,694.89
1940	80,413.18	.....	80,413.18	437,108.07
Total	$469,399.13	$32,291.06	$437,108.07	

Docket G-149. Schedule 11.

Interstate Natural Gas Company, Incorporated.

Reserve for Depletion Per Books.

1926—1940.

Year (a)	Provisions (b)	Transfers from Amortization Reserve (c)	Total (d)	Retirements (e)	Net Increase (f)	Balance December 31 (g)
1926	$ 47,743.00	$	$ 47,743.00	$	$ 47,743.00	$47,743.00
1927	5,929.13		5,929.13		5,929.13	53,672.13
1928	2,727.14		2,727.14		2,727.14	56,399.27
1929	6,075.15		6,075.15		6,075.15	62,474.12
1930	13,478.14		13,478.14		13,478.14	75,952.56
1931	15,681.98		15,681.98		15,681.98	91,634.54
1932	(83,041.93)		(83,041.93)	8,592.61	(91,634.54)	
1933						
1934						
1935						
1936	31,857.83	6,760.55	38,618.38		38,618.38	38,618.38
1937	50,201.68	10,549.95	60,751.63		60,751.63	99,370.01
1938	48,740.97	2,278.05	51,019.02		51,019.02	150,389.03
1939	230,532.69	5,638.30	236,170.99		236,170.99	386,560.02
1940	23,585.97	40,289.95	63,875.92		63,875.92	450,435.94
Total	$393,511.75	$65,516.80	$459,028.55	$8,592.61	$450,435.94	

Docket G-149. Schedule 10.

Interstate Natural Gas Company, Incorporated.

Reserve for Depletion as Adjusted by Examiners.

1926—1940.

Year	Provisions	Realized Depletion	Net Increase	Balance December 31
1926	$ 17,458.74	$.....	$ 17,458.74	$17,458.74
1927	2,427.61	.....	2,427.61	19,886.35
1928	1,122.64	.....	1,122.64	21,008.99
1929	3,927.93	.....	3,927.93	24,936.92
1930	8,105.09	.....	8,105.09	33,042.01
1931	10,401.24	32,291.06	(21,889.82)	11,152.19
1932	10,599.83	.....	10,599.83	21,752.02
1933	7,631.90	.....	7,631.90	29,383.92
1934	10,857.33	.....	10,857.33	40,241.25
1935	25,477.12	.....	25,477.12	65,718.37
1936	40,416.41	.....	40,416.41	106,134.78
1937	75,728.35	.....	75,728.35	181,863.13
1938	79,162.62	.....	79,162.62	261,025.75
1939	95,669.14	.....	95,669.14	356,694.89
1940	80,413.18	.....	80,413.18	437,108.07
Total	$469,399.13	$32,291.06	$437,108.07	

Docket G-149. Schedule 11.

Interstate Natural Gas Company, Incorporated.

Reserve for Depletion Per Books.

1926—1940.

Year (a)	Provisions (b)	Transfers from Amortization Reserve (c)	Total (d)	Retirements (e)	Net Increase (f)	Balance December 31 (g)
1926	$ 47,743.00	$.....	$ 47,743.00	$.....	$ 47,743.00	$47,743.00
1927	5,929.13	.....	5,929.13	.....	5,929.13	53,672.13
1928	2,727.14	.....	2,727.14	.....	2,727.14	56,399.27
1929	6,075.15	.....	6,075.15	.....	6,075.15	62,474.12
1930	13,478.14	.....	13,478.14	.....	13,478.14	75,952.56
1931	15,681.98	.....	15,681.98	.....	15,681.98	91,634.54
1932	(83,041.93)	.....	(83,041.93)	8,592.61	(91,634.54)	
1933	.....	.....	.....	.....	.....	
1934	.....	.....	.....	.....	.....	
1935	.....	.....	.....	.....	.....	
1936	31,857.83	6,760.55	38,618.38	.....	38,618.38	38,618.38
1937	50,201.68	10,549.95	60,751.63	.....	60,751.63	99,370.01
1938	48,740.97	2,278.05	51,019.02	.....	51,019.02	150,389.03
1939	230,532.69	5,638.30	236,170.99	.....	236,170.99	386,560.02
1940	23,585.97	40,289.95	63,875.92	.....	63,875.92	450,435.94
Total	$393,511.75	$65,516.80	$459,028.55	$8,592.61	$450,435.94	

Docket G-149. Schedule 12.

Interstate Natural Gas Company, Incorporated.

Summary of Examiners' Adjustments to Reserve for Depletion.

1926—1940.

Entry No. (a)	Particulars (b)	Increase To Reserve (c)	Decrease To Reserve (d)	Net Increase To Reserve (e)
	Provision			
AS-94	To reverse Company's "Income Tax" entry credit-depletion accruals for years 1926-1932 to surplus	$89,784.23	$	$
AP-215	Depletion accruals on property while operated by Edwin S. Hall, as agent for Company	10,351.57		
406	To reverse depletion accruals provided by the Company as reclassified and adjusted by examiners		493,647.55	
408	To set up depletion accruals as computed by examiners—Schedule 10	469,399.13		
502	To reverse the Company's transfer of accrued amortization or unoperated gas leases and rights, made at the time said acreage became operative		65,516.80	
	Total adjustment to Provision	$569,534.93	559,164.35	10,370.58
	Retirements			
AS-177	Loss on retirement of gas lease, lost in litigation, parcel 426, transferred from Surplus		$ 23,698.45	(23,698.45)
	Net adjustment to Reserve for Depletion			$(13,327.87)

Reconciliation—December 31, 1940—

Reserve as adjusted—Schedule 10	$ 437,108.07
Net adjustments—as above	13,327.87
Reserve per books—Schedule 11	$ 450,435.94

Parentheses denote decrease.

Docket G-149. Appendix 1.

Interstate Natural Gas Company, Incorporated.

Natural Gas Production Plant.

Depletion and Depreciation Factors as Computed by Examiners.*

1926—1940.

Year (a)	Recoverable Natural Gas Reserves					Depletion and Depreciation Factors col. e + col. d (g)
	Balance January 1 (b)	Added During Year (c)	Total (d)	Gas Produced During Year (e)	Balance December 31 (f)	
1926	.....	775,687,233	775,687,233	5,714,398	769,972,835	0.736688
1927	769,972,835	13,192,897	783,165,732	790,549	782,375,183	0.100943
1928	782,375,183	7,918,257	790,293,440	363,620	789,929,820	0.046011
1929	789,929,820	122,945,801	912,875,621	1,232,811	911,642,810	0.135047
1930	911,642,810	18,224,765	929,867,575	2,558,803	927,308,772	0.275179
1931	927,308,772	1,038,995	928,347,767	3,273,158	925,074,609	0.352579
1932	925,074,609	.....	925,074,609	3,343,173	921,731,436	0.361395
1933	921,731,436	.....	921,731,436	2,407,090	919,324,346	0.261149
1934	919,324,346	3,934,558	923,258,904	3,435,726	919,823,178	0.372130
1935	919,823,178	18,263,387	938,086,565	8,069,501	930,017,064	0.860209
1936	930,017,064	8,394,124	938,411,188	12,871,998	925,359,190	1.371680
1937	925,539,190	11,745,128	937,284,318	24,242,542	913,041,776	2.586466
1938	913,041,776	4,441,247	917,483,023	25,399,871	892,083,152	2.768430
1939	892,083,152	3,505.396	895,588,548	30,743,475	864,845,073	3.432768
1940	864,845,073	18,611,211	883,456,284	25,792,564	857,663,720	2.919507
Total	12,392,709,244	1,007,902,999	13,400,612,243	150,239,279	13,250,372,964	

* Note: Based on the estimated mcf of natural gas reserves and on the annual mcf of gas prodpction as computed by the Commission's engineers.

Docket G-149. Interstate Natural Gas Company, Incorporated.

Examiner's Computation of Depletion Provisions for Natural Gas Producing Acreage.*

Year (a)	Amount Subject to Depletion—December 31: Per Books (b)	Examiners' Adjustments (c)	As Adjusted (d)	Depletion Reserve December 31 Before Current Year's Provision (e)	Depletion Base (d minus e) (f)	Depletion Factor** (g)	Annual Depletion Provision (f times g) (h)
1926	$ 3,146,209.94	$(776,314.04)	$ 2,369,895.90	$	$ 2,369,895.90	0.736688	$ 17,458.74
1927	3,234,523.94	(812,133.23)	2,422,390.71	17,458.74	2,404,931.97	0.100943	2,427.61
1928	3,322,109.67	(862,276.89)	2,459,832.78	19,886.35	2,439,946.43	0.046011	1,122.64
1929	3,645,217.66	(715,646.84)	2,929,570.82	21,008.99	2,908,561.83	0.135047	3,927.93
1930	2,949,839.84	20,483.48	2,970,323.32	24,936.92	2,945,386.40	0.275179	8,105.09
1931	2,970,030.43	(19,235.49)	2,950,794.94	750.95	2,950,043.99	0.352579	10,401.24
1932	2,981,013.88	(36,829.64)	2,944,184.24	11,152.19	2,933,032.05	0.361395	10,599.83
1933	2,985,413.88	(41,229.64)	2,944,184.24	21,752.02	2,922,432.22	0.261149	7,631.90
1934	2,967,835.28	(20,832.75)	2,947,002.53	29,383.92	2,917,618.61	0.372130	10,857.33
1935	2,966,188.24	35,789.29	3,001,977.53	40,241.25	2,961,736.28	0.860209	25,477.12
1936	2,973,113.05	39,094.84	3,012,207.89	65,718.37	2,946,489.52	1.371680	40,416.41
1937	2,985,204.18	48,800.20	3,034,004.38	106,134.78	2,927,869.60	2.586466	75,728.35
1938	2,987,519.93	53,820.35	3,041,340.28	181,863.13	2,859,477.15	2.768470	79,162.62
1939	2,993,863.20	54,101.16	3,047,964.36	261,025.75	2,786,938.61	3.432768	95,669.14
1940	3,036,606.31	74,429.62	3,111,035.93	356,694.89	2,754,341.04	2.919507	80,413.18
Total	$46,144,689.43	$(2,957,979.58)	$43,186,709.85	$1,158,008.25	$42,028,701.60		$469,399.13

* Includes:
Natural Gas Producing Lands.
Natural Gas Producing Leaseholds—Operated.
Natural Gas Rights—Operated.

** Based on the estimated mcf of natural gas reserves and on the annual mcf of gas production as determined by Commission's engineers.

EX. 60.

Docket G-149.

Interstate Natural Gas Company, Incorporated.
Exploration and Development Costs,
1926-1940.

The Federal Power Commission, under date of December 5, 1939, issued an order of investigation into and concerning all rates, charges, classifications, rules, regulations, practices or contracts of Interstate Natural Gas Company, Incorporated, and pursuant thereto an examination of that Company's accounts and records, including its Exploration and Development Costs, was undertaken.

In this report a summary of the exploration and development costs that have been incurred by the Company from the date of its inception to December 31, 1940, is presented. These costs are shown per the books and as adjusted by the Commission's examiners. The costs as adjusted by the examiners for the period are $627,819 less than as shown by the books. The difference arises chiefly from the examiners' reinstatement of the first cost of gas acreage which had been amortized on the books.

Exploration and development costs as adjusted by the examiners for the 1926-1940 period are set forth in Schedule 1, in the amount of $465,177, and are shown in three classifications: abandoned gas leases and rights, renewal bonuses and delay rentals. Exploration and development costs per the books for the same period are set forth in Schedule 2, and they amount to $1,092,997. They are also given in three classifications, which are accrued amortization of unoperated gas acreage, cost of gas leases and rights written off to surplus and to expense, and delay

rentals. During the fifteen-year period the Company has drilled no dry holes nor has it abandoned or deepened any of its wells.

The reduction of exploration and development costs by $627,819, brought about by the restoration to plant of the first costs of gas leases and rights in substitution for lower renewal costs, affected three accounts in the balance sheet at December, 31, 1940, in the following net amounts:

Gas Plant—		
Increased by first costs of gas leases and rights restored	$607,656	
Less—Renewal bonuses eliminated	96,021	$511,635
Reserve for Amortization—		
Decreased by elimination of book balance		50,667
Reserve for Depletion—		
Decreased by elimination of amortization transferred to Reserve for Depletion		65,517
		$627,819

The restatement of the accounting for exploration and development costs required the preparation of a series of examiners' adjusting entries to reverse the entries made on the Company's books, and to set up the abandonments and renewal bonuses in the years in which actually realized and incurred. The effect of these entries on the book figures is shown in Schedule 3.

The Reserve for Abandoned Leases per the books is set forth in Schedule 4. As the result of restating exploration and development costs, it has been elimniated from the balance sheet.

Examiners' Journal Entries RS-132 and AS-134, and 501 to 505, inclusive, follow Schedule 4. Examiners' Journal Entry AP-216, the only entry affecting exploration and development costs, not shown in this report, is given in the examiners' report on plant accounts.

Washington, D. C., February 25, 1942.

F. H. MAGRUDER,
(F. H. Magruder),
Principal Examiner of
Accounts.

VICTOR G. GOUGH,
(Victor G. Gough),
Supervising Examiner.

Approved:

W. E. BAKER,
(W. E. Baker),
Chief Accountant.

CHAS. W. SMITH,
(Chas. W. Smith),
Chief, Bureau of Accounts,
Finance and Rates.

Docket G-149. Schedule 1.

Interstate Natural Gas Company, Incorporated.

Exploration and Development Costs as Adjusted by Examiners, 1926-1940.

Year (a)	Abandoned Gas Leases and Rights (b)	Renewal Bonuses (c)	Delay Rentals (d)	Total Costs (e)
ING A/c	25.16	25.10	25.10	
FPC A/c	512	510	510	
1926	$ 42,824.53	$	$ 1,775.63	$ 44,600.16
1927	46,842.90	1,205.66	5,624.60	53,673.16
1928	14,734.01	2,303.50	4,987.24	22,024.75
1929	2,876.87		3,276.20	6,153.07
1930	22,608.71	3,202.15	1,104.95	26,915.81
1931	3.93	7,084.75	1,401.05	8,489.73
1932	1,819.19	2,326.28	2,547.34	6,692.81
1933	3,437.77	4,187.95	2,407.59	10,033.31
1934	698.52	603.00	2,752.34	4,053.86
1935	1,570.79	81,694.22	9,176.05	92,441.06
1936	355.13	7,752.63	9,492.04	17,599.80
1937	3,178.51	1,482.50	9,660.84	14,321.85
1938		1,031.25	9,486.09	10,517.34
1939			9,960.09	9,960.09
1940	136,351.27	694.75	655.00	137,701.02
Total	$277,302.13	$113,568.64	$74,307.05	$465,177.82

Exploration and Development Costs, as shown in the Income Statements for 1938, 1939, and 1940, in the examiners' report on income, include reclassifications of "other exploration costs", amounting to $1,773.42, which are not among the costs listed above. These reclassified costs, which cover salaries paid for scouting wildcat wells, are excluded above because data are not available to effect a reclassification for such items in all years.

Docket G—149. Interestate Natural Gas Company, Incorporated. Schedule 2.

Exploration and Development Costs Per Books.
1926—1940.

Year	Amortization Accruals	Book Costs of Gas Acreage Charged Off		Delay Rentals	Total Costs
		To Surplus	To Expense		
(a)	(b)	(c)	(d)	(e)	(f)
ING A/c	25.18	842		25.10	
FPC A/c	512	271		510	
1926	$34,382.55	$.....	$.....	$ 1,775.63	$ 36,158.18
1927	56,312.64	.....	.....	5,624.60	61,937.24
1928	65,088.04	.....	.....	4,987.24	70,075.28
1929	66,812.71	.....	.....	3,276.20	70,088.91
1930	67,929.28	$127,964.86	.....	1,104.95	196,999.09
1931	65,656.03	.....	3.72	1,401.05	67,060.80
1932	65,422.81	.....	.....	2,547.34	67,970.15
1933	65,082.83	.....	126.49	2,407.59	67,616.91
1934	64,205.21	.....	.....	2,752.34	66,957.55
1935	49,406.83	.....	75,161.70	9,176.05	133,744.58
1936	47,433.24	.....	741.01	9,492.04	57,666.29
1937	44,279.08	.....	.....	9,660.84	53,939.92
1938	43,692.15	.....	.....	9,486.09	53,178.24
1939	43,189.08	.....	.....	9,960.09	53,149.17
1940	35,800.36	.....	.....	655.00	36,455.36
Total	$814,692.84	$127,964.86	$76,032.92	$74,307.05	$1,092,997.67

Docket G-149. Interstate Natural Gas Company, Incorporated. Schedule 3.

Reconciliation of Exploration and Development Costs as Adjusted by Examiners with Exploration and Development Costs Per Books. 1926—1940.

Particulars (a)	Per Books (b)	Examiners' Journal Entry Adjustments				As Adjusted (g)
		Debits (c)	Entry No. (d)	Credits (e)	Entry No. (f)	
Exploration and Development Costs						
Amortization of Unoperated Gas Acreage Costs	$ 814,692.84	$		$814,692.84	501	$
Unoperated Gas Acreage Costs charged Surplus	127,964.86			125,087.99	RS-132	
				2,876.87	AS-134	
Unoperated Gas Acreage Costs charged Expense	76,032.92			76,032.92	503	
Delay Rentals	74,307.05					74,307.05
Gas Leases and Rights Abandoned		103,692.16	RS-132			
		2,876.87	AS-134			
		170,733.10	504			277,302.13
Renewal Bonuses		113,568.64	505			113,568.64
Total	1,092,997.67	390,870.77		1,018,690.62		465,177.82
Contra Entries—Balance Sheet Accounts						
Gas Plant in Service—						
Natural Gas Producing Leaseholds—Operating						
Unoperating						
Natural Gas Rights—Operating						
Unoperating		607,656.62	AP-216	96,020.71	AP-216	511,635.91
Reserve for Abandoned Leases		814,692.84	501	65,516.80	502	
				698,508.90	503	50,667.14
Reserve for Amortization and Depletion of Producing Natural Gas Land and Land Rights		65,516.80	502			65,516.80
Earned Surplus		125,087.99	AS-132	511,635.91	AP-216	
				103,692.16	RS-132	
		2,876.87	AS-134	2,876.87	AS-134	
				170,733.10	504	
		774,541.82	503	113,568.64	505	
Total		2,390,372.94		1,762,553.09		627,819.85
Grand Total	$1,092,997.67	$2,781,243.71		$2,781,243.71		$1,092,997.67

Docket G-149. Schedule 4.

Interstate Natural Gas Company, Incorporated.

Reserve for Abandoned Leases Per Books
Accounts: ING 340—FPC 250.3.
1926-1940.

Year (a)	Amortization Accruals (b)	Retirements (c)	Amortization Transferred to Depletion Reserve* (d)	Balance December 31 (e)
1926	$ 34,382.55	$	$	$34,382.55
1927	56,312.64			90,695.19
1928	65,088.04			155,783.23
1929	66,812.71			222,595.94
1930	67,929.28	27,110.11		263,415.11
1931	65,656.03	8,832.83		320,238.31
1932	65,422.81	3,385.68		382,275.44
1933	65,082.83	9,083.10		438,275.17
1934	64,205.21	1,740.24		500,740.14
1935	49,406.83	492,481.94		57,665.03
1936	47,433.24	20,180.17	6,760.55	78,157.55
1937	44,279.08	4,676.49	10,549.95	107,210.19
1938	43,692.15	1,033.50	2,278.05	147,590.79
1939	43,189.08		5,638.30	185,141.57
1940	35,800.36	129,984.84	40,289.95	50,667.14
Total	$814,692.84	$698,508.90	$65,516.80	$50,667.14

* The amounts in this column represent amortization accrued on unoperated gas leases and rights which were transferred on the books to the Depletion Reserve when the lease and rights for whose retirement these amounts had been accumulated became operative.

EXHIBIT No. 62A.

Witness .....

Federal Power Commission.

Docket No. G-149.

In Re: Interstate Natural Gas Company, Incorporated.
Income Accounts.

Reclassified and Adjusted for the Years 1938, 1939, and 1940.

Federal Power Commission. Docket No. G-132-A. Volume I. Hearing Ex. No. 62-A. 6/19/42.

Federal Power Commission. Docket No. ..... Exhibit No. 62-A (for Identification). Date Identified 6/19/42.

Bureau of Accounts, Finance and Rates.
Division of Accounts.

Docket G-149.

Interstate Natural Gas Company, Incorporated.

Income Account.
1938, 1939 and 1940.

Table of Contents.

Description	Page
Written Statement:	
Introduction	1
The Process of Reclassification and Adjustment	2
Utility Income	3

Description

	PAGE
Operating Revenues	4
Operating Expenses	7
Depreciation and Depletion	11
Taxes	11
Exploration and Development Costs	13
Other Income and Income Deductions	14

List of Schedules:

Number	Description	Page
1	Income Account as reclassified and adjusted for the years 1938, 1939 and 1940	15
2	Income account showing examiner's reclassifications and adjustments:	
A	For the year 1938	16
B	For the year 1939	18
C	For the year 1940	20
3	Operating Revenues as reclassified and adjusted for the years 1938, 1939, and 1940	22
4	Gas Service Revenues showing examiner's reclassifications and adjustments:	
A	For the year 1938	23
B	For the year 1939	25
C	For the year 1940	27
5	Analysis of rates for Pipeline Co. Sales—for resale:	
A	For the year 1938	29
B	For the year 1939	30
C	For the year 1940	31
6	Analysis of rates for All Other Sales—for resale:	
A	For the year 1938	32
B	For the year 1939	34
C	For the year 1940	36

Number	Description	Page
7	Other Gas Revenues showing examiner's reclassifications and adjustments:	
A	For the year 1938	38
B	For the year 1939	39
C	For the year 1940	40
8	Operating Expenses as reclassified and adjusted for the years 1938, 1939, and 1940	41
9	Operating Expenses showing examiner's reclassifications and adjustments:	
A	For the year 1938	43
B	For the year 1939	47
C	For the year 1940	51
10	Gas Purchased—for resale:	
A	For the year 1938	55
B	For the year 1939	56
C	For the year 1940	57
11	Gas Well Royalties as adjusted for the year 1940	58
12	Tax Expense as reclassified and adjusted for the years 1938, 1939, and 1940	61
13	Tax Expense showing examiner's reclassifications and adjustments:	
A	For the year 1938	62
B	For the year 1939	63
C	For the year 1940	64

Interstate Natural Gas Company, Incorporated.

Income Accounts
Reclassified and Adjusted for the Years 1938, 1939, and 1940.

The Federal Power Commission, under date of December 5, 1939, issued an order of investigation into and concerning all rates, charges, classifications, rules, regulations, practices or contracts of Interstate Natural Gas Company, Incorporated. Pursuant thereto an examination of the accounts and records of that company was undertaken and a number of reports relative to its plant and operations have been prepared. This is one of those reports.

The subject of this report is the income accounts of Interstate Natural Gas Company, Incorporated, for the years 1938, 1939, and 1940. The report shows these accounts for each of the three years separately, per books and as reclassified and adjusted. It also shows a summary of the reclassifications and adjustments with their respective examiners' journal entry number affixed so that each item is readily traceable to the entry which supports it.

The report is presented in two volumes. In Volume I are thirteen schedules which show the income accounts by primary accounts per the company's books; a summary of the reclassifications and adjustments made by the examiners; and the income accounts by primary accounts after reclassification and adjustment. The schedules show each of the three years' figures separately. Volume II contains fifty-two examiners' reclassifying and adjusting journal entries, thirty-one summaries of those and other journal entries that affect income, and a prefatory explanation of the entries and summaries.

The manner in which the income accounts have been reclassified and adjusted, and in which they are presented in the schedules of the report is discussed immediately below.

The Process of Reclassification and Adjustment:

The process of reclassifying and adjusting the company's income accounts was carried out by the application of two series of journal entries to the amounts in those accounts. The first of these two series known as the reclassification entries, was applied to bring the company's accounts into conformity with the Federal Power Commision's Uniform System of Accounts and the second, known as adjusting entries, was applied to adjust the accounts as reclassified, so that they might set forth true net income. The reclassification entries, which were all made by the examiners, effected no net change in surplus. The adjusting entries, on the other hand, in certain instances do. They effect changes in income, as between the income accounts of one year and another, and as between income accounts and balance sheet accounts. Most of the adjusting entries were made by the examiners in the course of the preparation of this report; several arose in the course of preparation of other reports in the case.

The amounts by which the company's income accounts for each of the three years 1938, 1939, 1940, are affected by reclassification and adjustment are shown in condensed and in detailed form, in the thirteen schedules in Volume I, by classes of revenue and expense. These schedules show the income by primary accounts per the company's books; reclassification and adjustment thereto; and, the income by primary accounts as reclassified and adjusted. The reclassifications and adjustments given in the schedules are as shown in the thirty-one summaries of reclassification and adjustment entries contained in Volume II. In these summaries amounts are keyed to ex-

aminers' journal entries and carry brief descriptions; they include all reclassification and adjustment of income, whether originated in the preparation of this report or in the preparation of other reports in this case. Entries originated in the preparation of this report appear with adequate explanations, in Volume II, behind the summaries.

Utility Income:

The Net Utility Income of Interstate Natural Gas Company, Incorporated, as reclassified and adjusted by the examiners, is shown in the income account for each of the three years, 1938, 1939, and 1940, presented in Schedule 1. It may be summarized as follows:

Net Utility Income.

Particulars	1938	1939	1940
Operating Revenues	$5,579,751	$5,881,558	$6,490,870
Operating Expenses	1,772,842	1,864,164	2,278,169
Depreciation and Depletion	559,606	593,442	583,321
Taxes	851,018	870,981	1,110,913
Non-Recurring Expenses	7,736	17,954	104,987
Total Operating Revenue Deductions	$3,191,202	$3,346,541	$4,077,390
Net Operating Revenue ...	2,388,549	2,535,018	2,413,480
Income from Gas Plant Leased to Others	636	566	643
Utility Income	2,389,185	2,535,584	2,414,123
Exploration and Development Costs	3,809	2,763	138,379
Net Utility Income	$2,385,376	$2,532,821	$2,275,744

The reclassifications and adjustments made by the examiners to develop Net Utility Income as shown above, are summarized in Schedules 2A, 2B, and 2C. Net Utility for the three years is increased by the net amounts of $353,240, $536,548, and $236,424, respectively. Most of the increase consists of adjustments of the depreciation and depletion provisions.

Operating Revenues:

A condensed statement of Operating Revenues as reclassified and adjusted for each of the three years 1938, 1939, and 1940, is presented in Schedule 3 and may be summarized as follows:

Operating Revenues.

Particulars	1938	1939	1940
Gas Service Revenues ..	$4,313,006	$4,571,805	$5,367,065
Other Gas Revenues ...	1,266,745	1,309,754	1,123,805
Total Operating Revenues	$5,579,751	$5,881,559	$6,490,870

Operating Revenues were increased by reclassification and adjustment in each of the three years in the net amounts of $18,257, $21,519, and $21,078, respectively. The increases chiefly affect Other Gas Revenues.

Gas Service Revenues: Gas Service Revenues as per books, the reclassifications and adjustments thereof, and Gas Service Revenues as reclassified and adjusted, are given in Schedules 4A, 4B, and 4C, for the years 1938, 1939, and 1940, respectively. Summarized for each of the three years, they are as follows:

Gas Service Revenues.

Particulars	1938 Amount	% of Total	1939 Amount	% of Total	1940 Amount	% of Total
Industrial Sales	$2,769,791	64	$2,688,111	59	$3,246,777	61
Pipeline Co[illegible] Sales	202,727	28	1,511,991	33	1,513,642	28
Miscellaneous Sales	196		33			
All Other Sales— for Resale	340,292	8	371,670	8	606,645	11
Total Gas Service Revenues	$4,313,006	100	$4,571,805	100	$5,367,064	100

Each of the three schedules gives the names of the customers; the points of delivery; the contract metering base; the revenue per customer; the volume of gas sold, on the contract metering base and as converted to the Louisiana State Uniform Base; and, the average rates per mcf on both the contract basis and on the Louisiana Uniform basis, which is a pressure base of 14.4 lbs. atmospheric pressure plus 10 oz. This latter basis is the basis prescribed by the Department of Conservation of the State of Louisiana as that by which all producers of natural gas in that State shall report their production.

All of the company's gas sales were at rates based upon mcf deliveries; in other words, none of the company's tariffs included demand charges. In 1941, however, an agreement with Southern Natural Gas Company was entered into which provides for a demand charge. In several instances the rates of industrial customers are predicated upon the price of crude oil and accordingly fluctuate daily as the price of crude oil fluctuates. In the case of two customers which operate sugar refineries, the Godchaux Sugars, Inc., and Colonial Sugars Co., the Btu content of gas is a rate factor and several other customers purchase gas under agreements in which it is stipulated that their bills are to be decreased in proportion as the Btu content of gas falls below a stated mini-

mum. The exceptionally large increase in All Other Sales for Resale in 1940 consists of the sale of gas purchased south of New Orleans in conjunction with United Gas Pipe Line Company under an arrangement entered into late in 1939.

The largest industrial customer of Interstate is Standard Oil Company of Louisiana, which in 1940 purchased gas in the amount of $1,817,671. There were fourteen other industrial customers. Analyses of rates for Pipeline Company Sales and All Other Sales for the years 1938, 1939, and 1940, are given in Schedules 5A, 5B, and 5C, and Schedules 6A, 6B, and 6C. Pipeline Company Sales were made during the three-year period to three companies, namely, Mississippi River Fuel Corporation, United Gas Pipe Line Company and Southern Natural Gas Company. Other Sales for Resale were made at City Gates in Louisiana to not more than eighteen customers who distributed gas in that state and to three customers in Mississippi.

Other Gas Revenues: Other Gas Revenues as reclassified and adjusted for each of the three years 1938, 1939, and 1940, are presented in Schedules 7A, 7B, and 7C. More than 98% of this revenue is "Revenue from the Transportation of Gas of Others", nearly all of which arises from the transportation of gas from Fowler to Baton Rouge for United Gas Pipe Line Company. Total revenue of this nature attributable to that Company amounted in 1938, 1939, and 1940 to $1,248,979, $1,289,903, and $1,106,294, respectively.

Other Gas Revenues were increased by reclassification and adjustment in the years 1938, 1939, and 1940, by $17,532, $19,199, and $16,868, respectively. These increases were brought about chiefly by the reclassification of rents collected from employees which the company had classified as Miscellaneous General Operating Charges and Credits.

Operating Expenses:

Operating Expenses as reclassified and adjusted for each of the years 1938, 1939, and 1940 are presented in Schedule 8, and are summarized as follows:

Operating Expenses.

Particulars	1938	1939	1940
Production Expense	$1,140,773	$1,180,645	$1,544,882
Transmission Expenses ..	443,098	477,555	508,787
Uncollectible Account ..	.....	1,025	.....
Administrative and General Expenses	188,971	204,939	224,500
Total Operating Expenses	$1,772,842	$1,864,164	$2,278,169

The amount of these expenses is less than the amount of operating expenses per company's books as shown on Schedules 9A, 9B, and 9C, chiefly because they do not include Depreciation, Depletion, Amortization, and Taxes, which have been reclassified by the examiner as separate items. A comparison of operating expenses per company's books and as reclassified and adjusted is as follows:

Operating Expenses Per Books and as Reclassified and Adjusted.

Particulars	1938 (Schedule 9A)	1939 (Schedule 9B)	1940 (Schedule 9C)
Operating Expenses per books	$3,202,587	$3,538,808	$3,809,367
Less: Depreciation, Depletion, Amortization and Taxes Reclassified ..	1,398,921	1,630,318	1,394,210

Particulars	1938 (Schedule 9A)	1939 (Schedule 9B)	1940 (Schedule 9C)
Operating Expenses per books exclusive of Depreciation, Depletion, Amortization and Taxes	1,803,666	1,908,490	2,415,157
Operating Expenses as reclasified and adjusted	1,772,842	1,864,164	2,278,169
Other Reclassifications & Adjustments	$ 30,824	$ 44,326	$ 136,988

To illustrate the general nature of "Other Reclassifications and Adjustments", four items of the amount shown for 1940, comprising $110,795 of the amount of $136,988 shown, are explained, as follows:

1. *Acidizing Wells:* The cost of acidizing wells, which amounted to $35,500 in 1940, was charged on the books entirely to the operating expenses of that year. Since the benefits to operations of acidizing will extend beyond 1940, these costs have been eliminated from operating expenses and included in Non-Recurring charges in order that an equitable annual allowance may be determined.

2. *Indemnity payable Godchaux Sugars, Inc.:* By the terms of an agreement for the sale of gas to Godchaux Sugars, Inc., which provided that in the event of failure to deliver gas by or not later than October 1, 1939 to that company it should be reimbursed for the cost of fuel oil used by it in lieu of gas in excess of 54¢ a barrel, Interstate was chargeable with a share of the indemnity payable, in the amount of $11,173. The examiner has transferred this amount to Non-recurring Expenses. It is so reclassified not because of its impropriety as an expense,

but in order that it may stand apart for the Commission's attention as an expense not likely to recur.

3. *Contributions to Thrift Fund:* A duplicate accrual for Additional Contributions to Thrift Fund in the amount of $13,097, was charged to Operating Expenses in December, 1940, and an adjustment to correct this bookkeeping error was made.

4. *Regulatory Expense:* Items of regulatory expense, amounting to $9,177, which were charged by the company to operating expense have been transferred to Non-Recurring Expenses.

5. *Deferred Paid Up Annuities:* The purchase of annuities from the Equitable Life Assurance Society in the amount of $41,848.65 has been transferred from Administrative and General Expenses to Non-recurring Expenses. This amount is undertood to represent the final settlement of Interstate's liability resulting from the discontinuance of its "Annuity Plan" on December 31, 1935.

Gas Purchased: Gas Purchases, which comprise the greater part of Operating Expenses, reclassified and adjusted as shown above, are presented in Schedules 10A, 10B, and 10C, for the years 1938, 1939, and 1940. These schedules give the names of the vendors, the points of delivery, the contract metering base, cost, the volume of gas purchased on the contract metering base and on the uniform base, and the average rate of purchase per mcf on both the contract metering base and the uniform base. Most of the gas purchased was obtained from Southern Carbon Company and United Carbon Company.

Gas Well Royalties: Gas well Royalties charged expense for the year 1940, as adjusted, are presented in Schedule 11. This statement shows the names of the

lessors, royalty interest, rates of payment, well numbers, parcel numbers, mcf of gas produced, and royalty expense per books and as adjusted. The information given in the Schedule for 1940 is typical of the entire three years.

Affiliated Company Service Charges: Fees and expenses for management and other services, billed by affiliated companies, which have been included in Operating Expense, in the years 1938, 1939, and 1940, are as follows:

Affiliated Company Service Charges.

Particulars	1938	1939	1940
Gas Companies, Inc.			
Management Fees	$20,400	$20,400	$24,000
Traveling Expenses	1,202	1,206	1,305
Legal Services and Expenses	3,000	4,016	5,000
Proportion of Services Billed by Others	.....	.....	1,598
Standard Oil Co. of N. J.			
Services	2,831	5,626	6,160
Traveling Expenses	.....	135	.....
Peoples Natural Gas Company			
Traveling Expenses	.....	236	.....
Total	$27,433	$31,619	$38,063

No inquiry concerning the cost incurred by affiliates in rendering the services listed above was undertaken.

Depreciation and Depletion:

Depreciation and Depletion are discussed in detail in a separate examiner's report, which sets forth by account the provisions for depreciation and depletion made by the

company and substitute amounts as determined by the examiners. In summary form, these two sets of provisions for the years 1938, 1939, and 1940, are as follows:

Depreciation and Depletion.

	1938	1939	1940
Depreciation:			
Per Books	$811,267	$821,401	$843,498
Examiners	480,443	497,772	502,907
Difference	$330,824	$323,629	$340,591
Depletion:			
Per Books	$ 48,740	$230,532	$ 23,585
Examiners	79,162	95,669	80,413
Difference	$(30,422)	$134,863	$(56,828)
Total Difference	$300,402	$458,492	$283,763

Amortization of right-of-way and easements, which the company classified as operating expenses, is included by the examiner in the depreciation provision.

Taxes:

Taxes as reclassified and adjusted, for the years 1938, 1939, and 1940, in the amounts of $851,018, $870,981, and $1,110,912, respectively, are set forth in Schedule 12, and examiner's reclassifications and adjustments of Taxes for those years are set forth in Schedules 13A, 13B, and 13C. The large debit reclassifications are chiefly amounts transferred from among the expenses shown on Schedules 9A, 9B, and 9C. For the most part, adjustments were made for the purpose of showing in each year the taxes properly related to that year. A summary of the adjustments for the three years is as follows:

Adjustments.

Particulars	Debit	Credit	Net Credit
1938—Schedule 13A	$ 61,761	$ 69,426	$ 7,665
1939—Schedule 13B	38,483	98,170	59,687
1940—Schedule 13C	38,836	69,248	30,412
Total	$139,080	$236,844	$97,764

The net credit adjustment of $97,764 consists of the following, taken from Schedule 25, Volume II;

Net Credit Adjustment of Taxes.

Federal Excess Profits Tax—1938 (Overaccrual)		$ 45,558
Louisiana Income Tax (net transfer to years prior to 1938)		45,608
Franchise Tax (net transfer to years prior to 1938)		33,796
Mechanical Power Tax (net transfer to years prior to 1938)		50,063
		$175,025
Less:		
Natural Gas Sales Tax (transferred to Taxes from Deferred Debits)	$ 51,219	
Severance Tax (transferred to Gas Sales from Taxes)	15,707	
Federal Income Tax (Net adjustment)	12,005	
		$ 78,931
Total of above (Net)		$ 96,094
Other Taxes (Net adjustment)		1,670
Total adjustment (Net)		$ 97,764

Payments made in compliance with the Louisiana Natural Gas Sales Tax Act have been made by the company under protest, on the grounds that the sales upon which those taxes are levied are made in the furtherance of interstate commerce and are therefore, not properly subject to the provisions of the Act. Accordingly, the company has charged these taxes to the Other Deferred Debits Account. The examiner has adjusted taxes for 1938, 1939, and 1940, to include $16,019, $17,751, and $17,447, respectively, payable under the Gas Sales Tax Act because it is believed that these amounts are properly allowable as a revenue deduction until such time as a legal decision favorable to the company is rendered.

As of July 31, 1940, the Louisiana Gas Gathering Tax Act, which provides for the imposition of a tax on all gas gathered in Louisiana, became effective. Pursuant to the provisions of this Act the Interstate Company paid taxes in the net amount of $66,140.

Exploration and Development Costs:

Exploration and development costs are the subject of a separate report in this investigation. In that report the company's procedure and examiner's adjustments are set forth in detail. These costs as adjusted by the examiner are as follows:

Exploration and Development Costs.

	1938	1939	1940
Delay Rentals	$3,017	$2,226	$ 1,584
Abandoned Leases			136,351
Other Exploration Costs	792	537	444
Total	$3,809	$2,763	$138,379

Other Income and Income Deductions:

Other Income consists chiefly of Revenues from Lease of Other Physical Property and Interest, and Income Deductions of Interest Charges and Other Miscellaneous Charges.

Washington, D. C., March 2, 1942.

FRANK C. RIVERS,
(Frank C. Rivers),
Examiner of Accounts.

F. H. MAGRUDER,
(F. H. Magruder),
Principal Examiner of Accounts.

VICTOR G. GOUGH,
(Victor G. Gough),
Supervising Examiner.

Approved:

W. E. BAKER,
(W. E. Baker),
Chief Accountant.

CHAS. W. SMITH,
(Chas. W. Smith),
Chief, Bureau of Accounts,
Finance and Rates.

Docket G-149. Interstate Natural Gas Company, Inc. Schedule No. 1.

Income Accounts as Reclassified and Adjusted for the Years 1938, 1939, and 1940.

Account Number (a)	Description (b)	1938 (c)	1939 (d)	1940 (e)
	I—Utility Income			
501	Operating Revenues	$5,579,751.72	$5,881,559.92	$6,490,870.08
	Operating Revenue Deductions:			
502	Operating Expenses	$1,772,842.40	$1,864,164.61	$2,278,169.53
503.1	Depreciation	480,443.66	497,772.91	502,907.41
503.2	Depletion	79,162.62	95,669.14	80,413.18
507	Taxes	851,018.40	870,981.20	1,110,912.64
	Non-recurring Expenses	7,735.99	17,954.45	104,987.06
	Total Operating Revenue Deductions	$3,191,203.07	$3,346,542.31	$4,077,389.82
	Net Operating Revenues	$2,388,548.65	$2,535,017.61	$2,413,480.26
508	Income from Gas Plant Leased to Others	$ 636.69	$ 566.68	$ 643.04
	Utility Income	$2,389,185.34	$2,535,584.29	$2,414,123.30
	II—Exploration and Development Costs			
510	Delay Rentals	$ 3,017.34	$ 2,226.09	$ 1,583.75
512	Abandoned Leases and Rights	.....	.....	136,351.27
513	Other Exploration Costs	792.01	537.32	444.10
	Total Exploration Costs	$ 3,809.35	$ 2,763.41	$ 138,379.12
	Net Utility Income	$2,385,375.99	$2,532,820.88	$2,275,744.18
	III—Other Income			
522	Revenues from Lease of Other Physical Property	$ 13,458.51	$ 6,094.61	$ 2,600.00
524	Interest Revenues	3,096.13	8,410.76	7,655.31
526	Miscellaneous Nonoperating Revenues	12.79	42.03	40.47
527	Nonoperating Revenue Deductions	(10,724.10)	(2,544.94)	(1,988.94)
	Total Other Income	$ 5,843.33	$ 12,002.46	$ 8,306.84
	Gross Income	$2,391,219.32	$2,544,823.34	$2,284,051.02
	IV—Income Deductions			
535	Other Interest Charges	$ 3,003.71	$ 100.03	$ 29.10
538	Miscellaneous Income Deductions	665.61	4,600.18	1,885.83
	Total Income Deductions	$ 3,669.32	$ 4,700.21	$ 1,914.93
	Net Income	$2,387,550.00	$2,540,123.13	$2,282,136.09

Docket G-149.

Interstate Natural Gas Company, Inc.

Analysis of Rates for Pipeline Company Sales—For Resale
For the Year 1938.

Description (a)	Point of Delivery (b)	Contract Metering Base (c)	Revenue Per Books (d)	Reclassifications Debit (e)	Reclassifications Credit (f)
Domestic and Lost Gas					
Southern Natural Gas Company, Birmingham, Alabama	Compressor Sta., Perryville, La.	14.4 lb. 8 oz.	$ 84,698.40	$	$
Industrial					
United Gas Pipe Line Company (Memphis), Monroe, La.	Compressor Sta., Perryville, La.	14.65 lb. 8 oz.	$ 15,204.80		
Special Industrial and All Other					
Southern Natural Gas Company, Birmingham, Alabama	Compressor Sta., Perryville, La.	14.4 lb. 8 oz.	$169,963.48		
All Other Gas					
Arkansas-Louisiana Gas Co. (La.-Ark. P. L. Co.) Shreveport, La.	Munce Compressor Station, Sterlington, La.	14.4 lb. 8 oz.	$ 21,167.65		
United Gas Pipe Line Co. (Dixie Gulf Gas Co.) Monroe, La.	Munce Compressor Station, Sterlington, La.	14.4 lb. 10 oz.	84,019.90		
Mississippi River Fuel Corp., St. Louis, Mo. (Affiliated)	Comp. Sta., Perryville, La.	14.4 lb. 8 oz.	365,787.16		
United Gas Pipe Line Co. (Memphis Nat. Gas Co.) Monroe, La.	Memphis Comp. Sta., Guthrie, La.	14.65 lb. 8 oz.	201,430.25		
United Gas Pipe Line Co. (Sou. Gas & Fuel Co.) Monroe, La.	DeSiard Comp. Sta., Fowler, La.	14.7 lb. 8 oz.	250,431.15		
Total All Other Gas			$922,836.11		
Severance Taxes					
United Gas Pipe Line Co. (Memphis Nat. Gas Co.) Monroe, La.	Memphis Compressor Station, Guthrie, La.		$ 5,861.56		
Mississippi River Fuel Corp., St. Louis, Mo.	Comp. Sta., Perryville, La.				
Southern Natural Gas Co., Birmingham, Ala.	Comp. Sta., Perryville, La.				
Total Severance Taxes			$ 5,861.56		
Total Pipeland Company Sales—for Resale			$1,198,564.35		

	Reclassified (g)	Adjustments Debit (h)	Adjustments Credit (i)	Adjusted Revenue (j)	M. C. F. Contract Metering Base (k)	M. C. F. Uniform Base 14.4 lb. 10 oz. (l)	Average Rate Per M. C. F.—¢ Contract Metering Base (m)	Average Rate Per M. C. F.—¢ Uniform Base 14.4 lb. 10 oz. (n)
	$ 84,698.40	$.....	$.....	$ 84,698.40	1,045,769	1,037,069	8.1000	8.1671
	$ 15,204.80	.....	.....	$ 15,204.80	304,096	306,626	5.0000	4.9587
	$169,963.48	.....	.....	$169,963.48	4,249,087	4,213,739	4.0000	4.0336
	$ 21,167.65	.....	.....	$ 21,167.65	325,656	322,947	6.5000	6.5545
	84,019.90	.....	.....	84,019.90	1,680,398	1,680,398	5.0000	5.0000
	365,787.16	.....	.....	365,787.16	4,812,989	4,772,950	7.6000	7.6638
	201,430.25	.....	.....	201,430.25	2,938,499	2,962,944	6.8549	6.7983
	250,431.15	.....	.....	250,431.15	7,043,455	7,125,490	3.5555	3.5146
	$922,836.11	.....	.....	$922,836.11	16,800,997	16,864,729	5.4927	5.4720
	$ 5,861.56	.....	$.....	$ 5,861.56	.....	.....	.....	.....
	.....	.....	2,726.19	2,726.19	.....	.....	.....	.....
	.....	.....	1,436.28	1,436.28	.....	.....	.....	.....
	$ 5,861.56	.....	$4,162.47	$ 10,024.03	.....	.....	.....	.....
	$1,198,564.35	$.....	$4,162.47	$1,202,726.82	22,399,949	22,422,163	5.3693	5.3640

Docket G-149.

Interstate Natural Gas Company, Inc.

Analysis of Rates for Pipeline Company Sales—For Resale
For the Year 1939.

Description	Point of Delivery	Contract Metering Base	Revenue Per Books	Reclassifications Debit	Reclassifications Credit
Domestic and Commercial and Lost Gas					
Southern Natural Gas Company, Birmingham, Alabama	Compressor Station, Perryville, Louisiana	14.4 lb. 8 oz.	$ 98,640.08	$.....	$.....
Special Industrial and All Other Gas					
Southern Natural Gas Company, Birmingham, Alabama	Compressor Station, Perryville, Louisiana	14.4 lb. 8 oz.	$273,369.93	$.....	$.....
Industrial Gas					
United Gas Pipe Line Company (Memphis Natural Gas Co.) Monroe, La.	Memphis Compressor Station, Guthrie, Louisiana	14.65 lb. 8 oz.	$ 18,162.30	$.....	$.....
All Other Gas					
United Gas Pipe Line Company (Memphis Natural Gas Co.) Monroe, La.	Memphis Compressor Station, Guthrie, Louisiana	14.65 lb. 8 oz.	$265,762.24	$.....	$.....
United Gas Pipe Line Co. (Southern Natural Gas Co.) Monroe, La.	De Siard Compressor Station, Fowler Louisiana	14.7 lb. 8 oz.	279,563.00	.....	.....
United Gas Pipe Line Co. (Dixie Gulf Gas Company) Monroe, La.	Munce Compressor Station, Sterlington, La.	14.4 lb. 10 oz.	74,515.80	.....	.....
Arkansas-Louisiana Gas Company, Shreveport, Louisiana	Munce Compressor Station, Sterlington, La.	14.4 lb. 8 oz.	20,376.94	.....	.....
Mississippi River Fuel Corporation, St. Louis, Missouri	Compressor Station, Perryville, Louisiana	14.4 lb. 8 oz.	468,552.94	.....	.....
Total All Other Gas			$1,108,770.92	.....	.....
Severance Taxes					
United Gas Pipe Line Company (Memphis Natural Gas Co.) Monroe, La.	Memphis Compressor Station, Guthrie, Louisiana		$ 8,067.71	$.....	$.....
Mississippi River Fuel Corporation, St. Louis, Missouri			.....	.....	.....
Southern Natural Gas Company, Birmingham, Alabama			.....	.....	.....
Total Severance Taxes			$ 8,067.71	.....	.....
Total Pipeland Company Sales—for Resale			$1,507,010.94	$.....	$.....

Schedule No. 5-B.

Reclassified	Adjustments Debit	Adjustments Credit	Adjusted Revenue	M. C. F. Contract Metering Base	M. C. F. Uniform Base 14.4 lb. 10 oz.	Average Rate Per M. C. F.—¢ Contract Metering Base	Average Rate Per M. C. F.—¢ Uniform Base 14.4 lb. 10 oz.
$ 98,640.08	$.....	$.....	$ 98,640.08	1,217,779	1,207,648	8.1000	8.1679
$273,369.93	$.....	$.....	$273,369.93	5,468,695	5,423,201	5.0000	5.0407
$ 18,162.30	$.....	$.....	$ 18,162.30	356,766	359,734	5.0908	5.0488
$265,762.24	$.....	$.....	$265,762.24	3,322,028	3,349,664	8.0000	7.9334
279,563.00	.....	.....	279,563.00	7,987,131	8,080,157	3.5002	3.4599
74,515.80	.....	.....	74,515.80	1,490,316	1,490,316	5.0000	5.0000
20,376.94	.....	.....	20,376.94	313,491	310,883	6.5000	6.5545
468,552.94	599.14	.....	467,962.80	6,120,525	6,069,608	7.6458	7.7100
$1,108,770.92	$590.14	.....	$1,108,180.78	19,233,491	19,300,628	5.7617	5.7417
$ 8,067.71	$.....	$	$ 8,067.71	.....	.....	.....	.....
.....	.....	$3,714.12	3,714.12	.....	.....	.....	.....
.....	.....	1,856.17	1,856.17	.....	.....	.....	.....
$ 8,067.71	.....	$5,570.29	$ 13,638.00	.....	.....	.....	.....
$1,507,010.94	$590.14	$5,570.29	$1,511,991.09	26,276,731	26,291,211	5.7541	5.7509

Docket G-149.

Interstate Natural Gas Company, Inc.

Analysis of Rates for Pipeline Company Sales—For Resale
For the Year 1940.

Description (a)	Point of Delivery (b)	Contract Metering Base (c)	Revenue Per Books (d)	Reclassifications Debit (e)	Reclassifications Credit (f)
Domestic and Commercial Gas					
Mississippi River Fuel Corp., St. Louis, Mo.	Compressor Station, Perryville, La.	14.4 lb. 8 oz.	$ 46,444.29	$	$
Domestic and Commercial and Lost Gas					
Southern Natural Gas Co., Birmingham, Ala.	Compressor Station, Perryville, La.	14.4 lb. 8 oz.	$128,651.43		
Industrial & Special Industrial Gas					
Mississippi River Fuel Corp., St. Louis, Mo.	Compressor Sta., Perryville, La.	14.4 lb. 8 oz.	$509,038.57		
Southern Natural Gas Co., Birmingham, Ala.	Compressor Sta., Perryville, La.	14.4 lb. 8 oz.	338,863.91		
United Gas Pipe Line Co. (Memphis Natural Gas Co.) Monroe, La.	Memphis Compressor Sta., Guthrie, La.	14.65 lb. 8 oz.	13,841.42		
Total Industrial & Spec. Ind. Gas			$866,743.90		
All Other Gas					
United Gas Pipe Line Co. (Memphis Nat. Gas Co.) Monroe, La.	Memphis Compressor Sta., Guthrie, La.	14.65 lb. 8 oz.	$253,570.72		
United Gas Pipe Line Co. (Main Line) Monroe, La.	DeSiard Compressor Sta., Fowler, La.	14.7 lb. 8 oz.	205,281.36		
Total All Other Gas			$458,852.08		
Severance Taxes					
United Gas Pipe Line Co. (Memphis Nat. Gas Co.) Monroe, La.			$ 6,320.34		
Mississippi River Fuel Corp., St. Louis, Mo.					
Southern Natural Gas Co., Inc.					
Total Severance Taxes			$ 6,320.34		
Total Pipeland Company Sales—for Resale			$1,507,012.04		

Schedule No. 5-C.

Reclassified (g)	Adjustments Debit (h)	Adjustments Credit (i)	Adjusted Revenue (j)	M. C. F. Contract Metering Base (k)	M. C. F. Uniform Base 14.4 lb. 10 oz. (l)	Average Rate Per M. C. F.—¢ Contract Metering Base (m)	Average Rate Per M. C. F.—¢ Uniform Base 14.4 lb. 10 oz. (n)
$ 46,444.29	$.....	$.....	$ 46,444.29	611,109	606,026	7.6000	7.6637
$128,651.43	.....	.....	$128,651.43	1,513,546	1,500,955	8.5000	8.5713
$509,038.57	$.....	$ 590.14	$509,628.71	6,395,183	6,341,981	7.9689	8.0358
338,863.91	.....	.....	338,863.91	6,776,589	6,720,214	5.0005	5.0425
18,841.42	.....	.....	18,841.42	283,104	285,459	6.6553	6.6004
$866,743.90	$.....	$ 590.14	$867,334.04	13,454,876	13,347,654	6.4462	6.4980
$253,570.72	$.....	$.....	$253,570.72	3,169,634	3,196,002	8.0000	7.9340
205,281.36	.....	.....	205,281.36	5,688,333	5,754,585	3.6088	3.5673
$458,852.08	.....	.....	$458,852.08	8,857,967	8,950,587	5.1801	5.1265
$ 6,320.34	$.....	$.....	$ 6,320.34	.....	.....	.....	.....
.....	.....	3,854.74	3,854.74	.....	.....	.....	.....
.....	.....	2,185.81	2,185.81	.....	.....	.....	.....
$ 6,320.34	$.....	$6,040.55	$ 12,360.89	.....	.....	.....	.....
$1,507,012.04	$.....	$6,630.69	$1,513,642.73	24,473,498	24,405,222	6.1939	6.2021

EXHIBIT No. EX. 63.

Witness .....

Federal Power Commission.

Docket No. G-149.

In Re: Interstate Natural Gas Company, Incorporated.

Report on the Income, Plant and Depreciation and Depletion Reserve Accounts for the year 1941.

Federal Power Commission, Docket No. ..... Exhibit No. 63 (for Identification). Date identified 6/19/42.

Federal Power Commission Docket No. G-132 et al. Hearing Ex. 63. 6/19/42.

Bureau of Accounts, Finance and Rates,
Division of Accounts.

Docket G-149.

Interstate Natural Gas Company, Incorporated.

Income, Plant and Depreciation and Depletion Reserve Accounts for the Year 1941.

Table of Contents.

	Page
General Introduction	i
Part I: Income Accounts.	
Introduction	1
Operating Revenues	2
Operating Expenses	3
Taxes	3
Exploration and Development Costs	4

List of Schedules:

No.	Description	Page
1	Comparative Income Account as adjusted for the years 1940 and 1941	6
2	Income Account showing examiner's adjustments for the year 1941	7
3	Operating Revenues as adjusted for the year 1941	9
4	Gas Service Revenues showing examiner's adjustments for the year 1941	10
5	Other Gas Revenues showing examiner's adjustments for the year 1941	13
6	Operating Expenses showing examiner's adjustments for the year 1941	14
7	Gas Purchased—for resale for the year 1941	17
8	Tax Expense showing examiner's adjustments for the year 1941	18
9	Summary of Examiner's Adjusting Entries showing accounts affected for the year 1941	19

Part II: Plant and Depreciation and Depletion Reserves,

Plant Accounts 24
Depreciation and Depletion Reserves 25

List of Schedules:

No.	Description	Page
10	Investment in Gas Plant—Per Books Reclassified—December 31, 1941	26
11	Depreciation and Depletion Expense for the year 1941	29
	Examiner's Adjusting Journal Entries Number 1 to 505	30

Docket G-149.

Interstate Natural Gas Company, Inc.

Report on the Income, Plant and Depreciation and Depletion Reserve Accounts, for the Year 1941.

This is a report on the operations of the Interstate Natural Gas Company, Inc., for the year 1941 and it supplements the reports which have been made on the Income, Plant, and Depreciation and Depletion accounts of that Company, for the years 1938 to 1940, inclusive.

In preparing this report, the pattern of the reports for the 1938-1940 period has been followed. The accounts of the company have been adjusted in the same manner although they have not been examined in detail. In the light of their examination for earlier years, they were reviewed only to the extent deemed necessary to set forth salient features of 1941 operations.

Those general observations relative to the company's operations which apply to 1941 in common with the years 1938 to 1940, and which are set forth in the reports for the earlier period, are not repeated here.

The report is divided into two parts: Part I covers the Income Account for 1941, which is compared with the Income Account of 1940, and Part II covers the Plant Accounts and the Reserves for Depreciation and Depletion for 1941.

Income Accounts—Part I.

Income Accounts.

The company's Net Utility Income for 1941 as set forth in Table I, is $2,386,191. That table is a comparative in-

come statement which shows the several classes of revenue and expenses for 1941 compared with those for 1940 and the respective increases and decreases of 1941 operations over 1940 operations. Although the difference in Net Utility Income for the two years is relatively small, the differences by account groupings are in several instances important. Operating Revenues, Operating Expenses, and Taxes increased in 1941 by large amounts. These increases are shown in the synopsis of Table I which follows:

Synopsis of Income Accounts as Adjusted.

	1941	1940	Increase or (Decrease)
Operating Revenues	$7,572,405	$6,490,870	$1,081,535
Operating Revenue Deductions:			
Operating Expenses	2,585,701	2,278,169	307,532
Depreciation and Depletion	614,896	583,321	31,575
Taxes	1,906,908	1,110,913	795,995
Non-Recurring Expenses	63,300	104,987	(41,687)
Total Operating Revenue Deductions	5,170,805	4,077,390	1,093,415
Net Operating Revenues	2,401,600	2,413,480	(11,880)
Income from Gas Plant Leased to Others	612	643	(31)
Utility Income	2,402,212	2,414,123	(11,911)
Exploration & Development Costs	16,021	138,379	(122,358)
Net Utility Income	$2,386,191	$2,275,744	$ 110,447

Operating Revenues:

The increase in the 1941 Operating Revenues which is $1,081,535 over those of 1940, consists of a $1,149,025 increase in Gas Service Revenues diminished by a decrease of $67,489 in Other Gas Revenues.

By classes of sales, the Gas Service Revenues increased as follows:

	1941	1940	Increase	Per Cent Increase
Industrial Sales ..	$3,736,340	$3,246,777	$ 489,563	15
Pipeline Co. Sales	1,728,404	1,513,642	214,762	14
Exchange Sales	16,269		16,269	100
All Other Sales ...	1,035,076	606,645	428,431	71
Total Gas Service Revenues	$6,516,089	$5,367,064	$1,149,025	21

The largesst proportional increase which is "All Other Sales" was caused chiefly by sales of gas in the New Orleans areas from deliveries made by the United Gas Pipe Line Company, under the terms of the agreement made in 1939 between Interstate and the United company. Generally speaking, increases in the volume of gas sold account for increased revenues. The volume of gas sold in 1941 is 66,791,323 mcf as compared to 56,196,694 mcf sold in 1940. The 1941 increase is approximately 20%.

The $67,489 decline in Other Gas Revenues is accounted for chiefly by a lessening of the transportation of gas for the United Gas Pipe Line Company. In 1941, 19,074,378 mcf was transported for that company, whereas in 1940, 19,672,780 mcf was transported.

Operating Expenses:

The increase in the 1941 Operating Expenses, which is $307,489 over those of 1940, is accounted for as follows:

	1941	1940	Increase or (Decrease)
Production Expenses	$1,866,558	$1,544,882	$321,676
Transmission Expenses ..	487,331	508,787	(21,456)
Administrative and General Expenses	231,812	224,500	7,312
Total Operating Expenses	$2,585,701	$2,278,169	$307,532

The increase of $321,676 in Production Expenses consists chiefly of an increase in the gas purchases, which in 1941 and 1940 were as follows:

	1941	1940	Increase
Mcf	36,350,663	29,646,346	6,704,317
Amount	$1,789,201	$1,495,634	$ 293,567

The remainder of Production Expenses increases consists chiefly of increases in Royalties and Maintenance Expense.

Taxes:

The increase in 1941 taxes, which is $795,996 over those of 1940, may be set forth briefly as follows:

Kind of Tax	1941	1940	Increase
Federal Income	$1,250,000	$ 591,063	$658,937
Louisiana Property	179,981	170,105	9,876
Severance	84,768	75,846	8,922
Gas Gathering.....	181,095	66,140	114,955
Other	211,064	207,758	3,306
Total	$1,906,908	$1,110,912	$795,996

The two largest items above, Federal Income and Gas Gathering Taxes, make up $773,892 of the total increase.

The amount of $1,250,000 shown on Federal Income Taxes for 1941 is an estimate of the normal and excess profits tax liability for that year and is the amount accrued on the books of the company for that purpose.

The increase in 1941 Gas Gathering Taxes over those of 1940 is due to the fact that in 1940 these taxes, becoming effective on July 1, 1940, were levied against six months' gathering of gas, whereas in 1941 they were levied against the entire twelve months' gathering. Moreover, in 1941 the volume of gas gathered was greater than that in 1940.

Exploration and Development Costs:

In 1941, Exploration and Development Costs amounted to $16,021 and in 1940, $138,379. The great difference between the two years is explainable by the fact that in 1940 leases which cost $136,351 expired or were abandoned, whereas in 1941 no leases or rights expired or were abandoned. Of the total 1941 costs, the geophysical survey made in the Bayou L'Outre area amounted to $14,764.

Washington, D. C., March 31, 1942.

FRANK C. RIVERS,
(Frank C. Rivers),
Examiner of Accounts.

VICTOR G. GOUGH,
(Victor G. Gough),
Supervising Examiner.

Approved:

W. E. BAKER,
(W. E. Baker),
Chief Accountant.

CHAS. W. SMITH,
(Chas. W. Smith),
Chief, Bureau of Accounts,
Finance and Rates.

Docket G-149. Interstate Natural Gas Company, Incorporated. Schedule No. 1.

Comparative Income Account as Adjusted for the Years 1940 and 1941.

Description (a)	1941 (b)	1940 (c)	Increase (d)
I—Utility Income			
Operating Revenues	$7,572,405.96	$6,490,870.08	$1,081,535.88
Operating Revenue Deductions—			
Operating Expenses	$2,585,701.08	$2,278,169.53	$ 307,531.55
Depreciation	524,767.97	502,907.41	21,860.56
Depletion	90,128.53	80,413.18	9,715.35
Taxes	1,906,908.63	1,110,912.64	795,995.99
Non-Recurring Expenses	63,299.94	104,987.06	(41,687.12)
Total Operating Revenue Deductions	$5,170,806.15	$4,077,389.82	$1,093,416.33
Net Operating Revenues	$2,401,599.81	$2,413,480.26	$(11,880.45)
Income from Gas Plant Leased to Others	$ 612.26	$ 643.04	$(30.78)
Utility Income	$2,402,212.07	$2,414,123.30	$(11,911.23)
II—Exploration and Development Costs			
Delay Rentals	$ 997.04	$ 1,583.75	$(586.71)
Abandoned Leases	.....	136,351.27	(136,351.27)
Other Exploration Costs	15,024.73	444.10	14,580.63
Total Exploration Costs	$ 16,021.77	$ 138,379.12	$(122,357.35)
Net Utility Income	$2,386,190.30	$2,275,744.18	$ 110,446.12
III—Other Income			
Revenues from Lease of Other Physical Property	$ 3,186.20	$ 2,600.00	$ 586.20
Interest Revenues	2,885.41	7,655.31	(4,769.90)
Misc. Nonoperating Revenues	.....	40.47	(40.47)
Nonoperating Revenue Deductions	(13,140.45)	(1,988.94)	(11,151.51)
Total Other Income	$(7,068.84)	$ 8,306.84	$(15,375.68)
Gross Income	$2,379,121.46	$2,284,051.02	$ 95,070.44
IV—Income Deductions			
Other Interest Charges	$ 10,731.05	$ 29.10	$ 10,701.95
Misc. Income Deductions	985.00	1,885.83	(900.83)
Total Income Deductions	$ 11,716.05	$ 1,914.93	$ 9,801.12
Net Income	$2,367,405.41	$2,282,136.09	$ 85,269.32

Docket G-149. Schedule No. 3.

Interstate Natural Gas Company, Incorporated.

Operating Revenues as Adjusted for the Year 1941.

Description (a)	1941 (b)
Gas Service Revenues:	
Industrial Sales	$3,736,340.34
Pipe Line Company Sales	1,728,403.52
Exchange Sales	16,269.42
All Other Sales	1,035,075.98
Total Gas Service Revenues	$6,516,089.26
Other Gas Revenues:	
Rent from Gas Property	$ 14,821.01
Customers Forfeited Discounts and Penalties	316.17
Revenue from Transportation of Gas of Others	1,037,302.04
Royalties	1,301.22
Miscellaneous Gas Revenues	2,576.26
Total Other Gas Revenues	$1,056,316.70
Total Operating Revenues	$7,572,405.96

Docket G-149. Interstate Natural Gas Company, Incorporated. Schedule No. 4

Gas Service Revenues Showing Examiners' Adjustments for the Year 1941. Sheet 1 of 3.

Description (a)	Point of Delivery (b)	Contract Metering Base (c)	Revenue Per Books (d)	Adjustments Dr. (e)	Adjustments Cr. (f)	Adjusted Revenue (g)	M. C. F. (h)	Rate Per MCF in Cents (i)
Industrial Sales—Own Use								
Standard Oil Co. of La. (affiliated) Baton Rouge, La.	Meter and Reg. Station Vendees premises.	14.7 lb. 8 oz.	$2,063,789.08	$.....	$.....	$2,063,789.08	18,101,079	11.40
Colonial Sugars Company Gramercy, La.	Meter and Reg. Station Vendees premises.	14.7 lb. 8 oz.	113,112.09	.....	.....	113,112.09	1,128,726	10.02
E. Louisiana State Hospital Jackson, La.	Meter and Reg. Station Tap on 22" Main Line.	14.6 lb. 8 oz.	48,185.40	1,378.35	.....	46,807.05	275,669	16.98
Ethyl Gasoline Corporation Baton Rouge, La.	Meter and Reg. Station Vendees premises and premises of La. Steam Generating Corp.	14.6 lb. 8 oz.	342,930.92	.....	.....	342,930.92	2,664,476	12.87
Godchaux Sugars, Inc. Reserve, La.	Meter and Reg. Station Vendees premises.	14.7 lb. 8 oz.	237,371.62	.....	.....	237,371.62	2,372,703	10.00
Godchaux Sugars, Inc. Raceland, La.	Meter and Reg. Station Vendees premises.	14.7 lb. 8 oz.	14,223.06	.....	.....	14,223.06	130,509	10.90
The Solvay Process Company Baton Rouge, La.	Meter and Reg. Station Vendees premises and premises of La. Steam Generating Corp.	14.7 lb. 8 oz.	454,775.18	.....	.....	454,775.18	3,521,713	12.91
Shell Oil Company Norco, La.	Meter and Reg. Station Vendees premises.	14.7 lb. 8 oz.	109,969.26	.....	.....	109,969.26	1,056,935	10.40
Gulf States Utilities Co. (La. Steam Generating Corp.) Baton Rouge, La.	Meter and Reg. Station Vendees premises.	14.7 lb. 8 oz.	324,120.45	.....	.....	324,120.45	2,494,623	12.99
DeHass-Eby Lumber Co. Sorrento, La.	Meter and Reg. Station Vendees premises.	14.7 lb. 10 oz.	315.75	.....	.....	315.75	1,005	31.42
General American Transp. Corp. Goodhope, La.	Meter and Reg. Station Vendees premises.	14.7 lb. 8 oz.	16,538.53	.....	.....	16,538.53	123,890	13.35
Concordia Parish Gin Water Proof, La.	Meter and Brock Station Plant Yard.	14.6 lb. 8 oz.	506.44	46.04	.....	460.40	2,302	20.00
N. W. Corporation Monroe, La.	Monroe Field	.....	200.00	.....	.....	200.00	1,300	15.38
*The California Company Houston, Texas.	Deliveries by U. G. P. L. Co.	14.4 lb. 4 oz.	3,418.14	.....	.....	3,418.14	22,789	15.00
*The Texas Pipe Line Co. Houston, Texas.	Deliveries by U. G. P. L. Co.	14.7 lb. 4 oz.	30.85	.....	.....	30.85	139	22.19
*Valentine Sugars, Inc. Lockport, La.	Deliveries by U. G. P. L. Co.	14.7 lb. 4 oz.	8,277.96	.....	.....	8,277.96	72,776	11.37
Total Industrial Sales—Own Use		.....	$3,737,764.73	$1,424.39	.....	$3,736,340.34	31,970,634	11.69

Docket G-149. Interstate Natural Gas Company, Incorporated. Schedule No. 4

Gas Service Revenues Showing Examiners' Adjustments for the Year 1941. Sheet 2 of 3.

Description (a)	Point of Delivery (b)	Contract Metering Base (c)	Revenue Per Books (d)	Adjustments Dr. (e)	Adjustments Cr. (f)	Adjusted Revenue (g)	M.C.F. (h)	Rate Per MCF in Cents (i)
Pipeline Company Sales—for Resale								
**Miss. River Fuel Corp. (affiliated) St. Louis, Mo.	Compressor Station Perryville, La.	14.4 lb. 8 oz.	$660,646.30	$.....	$4,722.64	$665,368.94	8,326,560	7.99
United Gas Pipe Line Co. (Memphis Natural Gas Co.) Monroe, La.	Memphis Comp. Sta. Guthrie, La.	14.65 lb. 8 oz.	324,404.25	.....	.....	324,404.25	3,964,009	8.18
Southern Natural Gas Co. Birmingham, Ala.	Compressor Station Perryville, La.	14.4 lb. 8 oz.	569,437.13	.....	3,970.98	573,408.11	9,689,624	5.92
United Gas Pipe Line Co. (Main Line) Monroe, La.	DeSiard Comp. Sta. Fowler, La.	14.7 lb. 8 oz.	165,222.22	.....	.....	165,222.22	4,758,319	3.47
Total Pipeline Company Sales—for Resale			$1,719,709.90	.....	$8,693.62	$1,728,403.52	26,738,512	6.46
Exchange Sales								
Hope Producing Co. (affiliated) Monroe, La.	Monroe Field	14.7 lb. 8 oz.	$ 16,269.42	.....	.....	$16,269.42	298,082	5.46
All Other Sales—for Resale								
Suburban Utilities Co. Baton Rouge, La.	City Gate	14.7 lb. 8 oz.	$ 10,883.25	.....	.....	$10,883.25	33,516	32.47
La Place Gas and Fuel Co. La Place, La.	City Gate	14.7 lb. 8 oz.	2,189.05	.....	.....	2,189.05	6,761	32.38
Norco Gas and Fuel Co. Norco, Gramercy and Destrehan.	City Gate	14.7 lb. 8 oz.	9,147.90	.....	.....	9,147.90	31,452	20.09
Norco Gas and Fuel Co. St Rose.	City Gate	14.7 lb. 8 oz.	70.71	.....	.....	70.71	203	34.83
Reserve Public Utilities Corp. Reserve, La.	City Gate	14.7 lb. 8 oz.	5,281.05	.....	.....	5,288.05	16,794	31.45
Peck Gas Co. Peck, La.	City Gate	14.6 lb. 8 oz.	254.80	.....	.....	254.80	1,016	25.08
Gulf States Utilities Co. (Baton Rouge Elec. Co.) Baton Rouge, La.	City Gate	14.7 lb. 8 oz.	214,529.66	.....	.....	214,529.66	1,226,137	17.50
Mississippi Power and Light Co. Natchez, Miss.	City Gate	14.6 lb. 8 oz.	96,788.28	.....	.....	96,788.28	456,826	21.19
Buffalo Gas Co. Wilkinson, Miss.	City Gate	14.6 lb. 8 oz.	452.20	.....	.....	452.20	1,292	35.00

Docket G-149. Interstate Natural Gas Company, Incorporated. Schedule No. 4.

Gas Service Revenues Showing Examiners' Adjustments for the Year 1941. Sheet 3 of 3.

Description (a)	Point of Delivery (b)	Contract Metering Base (c)	Revenue Per Books (d)	Adjustments Dr. (e)	Adjustments Cr. (f)	Adjusted Revenue (g)	M. C. F. (h)	Rate Per MCF in Cents (i)
Town of Jackson, La.	City Gate	14.6 lb. 8 oz.	$ 2,515.25	$	$	2,515.25	8,146	30.88
Town of Zachary, La.	City Gate	14.6 lb. 8 oz.	2,640.45			2,640.45	8,229	32.09
Town of Centreville, Miss.	City Gate	14.6 lb. 8 oz.	1,657.50			1,657.50	4,851	34.17
Town of St. Francisville, La.	City Gate	14.6 lb. 8 oz.	3,052.42			3,052.42	9,782	31.20
Town of Woodville, Miss.	City Gate	14.6 lb. 8 oz.	7,181.55			7,181.55	22,803	31.49
Town of Vidalia, La.	City Gate	14.6 lb. 8 oz.	4,082.80			4,082.80	13,892	29.39
Sicily Island Gas Co. Sicily Island, La.	City Gate	14.6 lb. 8 oz.	3,521.70			3,521.70	13,542	26.01
Louisiana Power and Light Co. Wisner, Gilbert and Ferriday, La.	City Gate	14.6 lb. 8 oz.	12,802.60			12,802.60	43,308	29.56
Village of Gonzales, La.	City Gate	14.7 lb. 8 oz.	3,896.25			3,896.25	12,438	31.33
*Louisiana Power and Light Co. New Orleans, La.	Deliveries by U. G. P. L. Co.	14.7 lb. 8 oz.	105,274.13			105.274.13	920,685	11.43
*New Orleans Public Service, Inc., and La. Power and Light Co. New Orleans, La.	Deliveries by U. G. P. L. Co.	14.7 lb. 8 oz.	548,854.43			548.854.43	4,952,422	11.08
Total All Other Sales—for Resale			$1,035,075.98			$1,035,075.98	7,784,095	13.30
Total Gas Service Revenues			$6,508,820.03	$1,424.39	$8,693.62	$6,516,089.26	66,791,323	9.76

* Sales made under "Additional Gas Supply" agreement.
** Considered Non-Associated Sales by Company.

EXHIBIT 64.

Part B. Rate Schedules and Agreements for Sale of Gas to Pipe Line Companies.

1. *Introduction.*

Interstate sells natural gas to pipe line companies under four agreements, all of which have been filed with the Commission under Order No. 53 or Part 54 of the Commission's Provisional Rules of Practice and Regulations. The agreements are as follows:

Rate Schedule FPC No.	Pipe Line Company
4	Mississippi River Fuel Corporation.
6	United Gas Pipe Line Company (for the account of Memphis Natural Gas Company).
15	United Gas Pipe Line Company (for New Orleans Area).
24	Southern Natural Gas Company.

Three other agreements for the sale of gas to pipe line companies, which were filed with the Commission, have terminated or been superseded.

Rate Schedule FPC No. 2, an agreement dated May 10, 1929 under which Interstate sold gas to Arkansas Louisiana Pipe Line Company, terminated by its own terms on November 30, 1939.

Rate Schedule FPC No. 3, an agreement dated May 10, 1929 under which Interstate sold gas to United Gas Pipe Line Company as successor to Dixie Gulf Gas Company, terminated by its own terms on October 31, 1939.

Rate Schedule FPC No. 14, an agreement dated October 1, 1933, under which Interstate sold gas to Southern Natural Gas Corporation and its Receivers, was superseded, effective July 1, 1941 by Rate Schedule FPC No. 24, an agreement with Southern Natural Gas Company, dated April 1, 1941. Rate Schedule FPC No. 14 itself superseded an agreement dated January 15, 1929 under which Interstate sold gas to Southern Natural Corporation.

2. *Nature of Agreements.*

In all of the agreements (including those terminated) for the sale of gas to pipe line companies, except Rate Schedule FPC No. 15, Interstate is a party to a two-party agreement under which Interstate and Hope Producing Company, an affiliate, sell gas to a pipe line company. Furthermore, Interstate and Hope Producing Company (hereinafter sometimes termed "Hope") supply only a specified percentage of the pipe line company's total requirements. The remainder of the requirements are supplied under separate agreements, in specified percentages, by United Gas Pipe Line Company, Southern Carbon Company and United Carbon Company.

The following tabulation shows the name of each company participating in the three presently effective joint supply arrangements, the percentage of the total natural gas requirements of the pipe line company to be suplied by each company under each agreement, the FPC rate schedule number, and the date of the agreement.

Mississippi River Fuel Corporation.

Supplier	Percentage[1]	Date of Agreement	Rate Schedule FPC No.
Interstate Natural Gas Co., Inc. and Hope Producing Company	22	8/1/29	4
			3
United Gas Pipe Line Company	40	8/1/29	9, 10, 11
Southern Carbon Company	21	8/1/29	3
United Carbon Company	17	.....	..
	100		

United Gas Pipe Line Company for Account of Memphis Natural Gas Company.

Supplier	Percentage	Date of Agreement	Rate Schedule FPC No.
Interstate Natural Gas Co., Inc. and Hope Producing Company	24	1/7/30	6
			4
United Gas Pipe Line Company	34	1/7/30	5
Southern Carbon Company	23	1/7/30	4
United Carbon Company	19	1/7/30	..
	100		

Southern Natural Gas Company.

Supplier	Percentage	Agreement	Rate Schedule FPC No.
Interstate Natural Gas Co., Inc. and Hope Producing Company	16.6125	4/1/41	24
			8
United Gas Pipe Line Company	30.375	4/1/41	44
Southern Carbon Company	15.9	4/1/41	7
United Carbon Company	12.1125	4/1/41	2
Total of Above	75.0000		
Southern Natural Gas Company	25.0000[2]	.....	..
	100.0000		

[1] There is excluded from the total gas requirements of Mississippi River Fuel Corporation gas purchased from United Gas Pipe Line Company (under United's Rate Schedule FPC No. 13) for delivery and sale to Crossett Lumber Company and associates.

[2] Percentage supplied by Southern Natural Gas Company from its production (in Logansport field).

3. *Billings by Interstate Natural Gas Company, Incorporated and Hope Producing Company under Two-Party Agreements.*

Although Interstate and Hope sell gas under joint sales agreements to three pipe line companies, as indicated above, each renders separate monthly invoices to each pipe line company.

Interstate and Hope have an oral understanding, that Hope shall deliver as much gas as it can for each of the three agreements, but not exceeding one-third of the gas jointly sold by Interstate and Hope under each contract.

Interstate delivers gas to each of the pipe line companies for its own account and for the account of Hope. Hope delivers gas to Mississippi River Fuel Corporation, and occasionally to Southern Natural Gas Company. Hope also delivers gas to Interstate for its account with the pipe line companies. The amounts delivered by Hope and Interstate to the pipe line companies represent their total deliveries under the two-party agreements. The amounts delivered by Hope to the pipe line companies and to Interstate for Hope's account represent the total deliveries for Hope's account under the two-party agreements. The difference between the total deliveries by both companies under the two-party agreements and the total deliveries for Hope's account represents the total deliveries for Interstate's account under the two-party agreements.

The procedure used in determining the amount of gas to be billed each month by Interstate and by Hope to each of the three pipe line companies is as follows: First, the total of the volumes delivered by each company to the three pipe line companies (converted to a uniform metering base of 14.4 lbs. plus 10 oz.) is determined. Hope is then credited with the delivery of 1.25% of the total re-

quirements of Southern Natural Gas Company (which requirements include gas purchased from Interstate and Hope, United Gas Pipe Line Company, Southern Carbon Company, and United Carbon Company, and gas produced by Southern Natural Gas Company), and the volume so credited to Hope is deducted from the total deliveries for Hope's account under the two-party agreements and from the total deliveries by Hope and Interstate under the agreements.

After this deduction, an amount is obtained representing the sum of (1) the remainder of the deliveries for Hope's account and (2) the total deliveries for Interstate's account; then the percentages which each are of the sum are determined.

The percentage so determined for Interstate is applied to the total deliveries by both companies to Mississippi River Fuel Corporation, to the total deliveries by both companies to United Gas Pipe Line Company for the account of Memphis Natural Gas Company, and to the total deliveries by both companies to Southern Natural Gas Company after deducting the 1.25% previously credited to Hope, to determine the volume to be billed by Interstate to each of the three pipe line companies. The difference is the volume to be billed by Hope to each of the three pipe line companies.

4. *Agreement with Mississippi River Fuel Corporation.*

a. *Service Area of Purchaser:*

Mississippi River Fuel Corporation (hereinafter sometimes termed "Mississippi") operates a pipe line extending from Perryville, Louisiana, to St. Louis, Missouri. The company's principal market is in and around St. Louis. Gas sold by Interstate to Mississippi is commingled with gas purchased from other suppliers and is sold by Mis-

sissippi to ultimate consumers and distribution companies in Arkansas, Missouri and Illinois and consumed in the operation of Mississippi's pipe line.

b. *Term of Agreement:*

The agreement, designated as Rate Schedule FPC No. 4, and dated August 1, 1929, originally provided for the sale of gas for 20 years from the date of first delivery under the agreement, November 21, 1929. Subsequently Mississippi issued first mortgage bonds dated February 1, 1937, to mature February 1, 1952, and the term of the agreement was extended for the period beginning November 21, 1949, and expiring February 2, 1952, or the date of payment of the last of the outstanding bonds, whichever is later.

c. *Rates in Effect June 1, 1942:*

The rates in effect on June 1, 1942 are as follows: For gas resold for ultimate public consumption as domestic and commercial use 7.6 cents per MCF; for all other gas 8 cents per MCF.

The agreement provides that the price of all gas shall increase from 7.6 cents to 8 cents per MCF on November 21, 1939. By order dated November 20, 1939, the Commission suspended the increase with respect to gas resold for ultimate public consumption as domestic and commercial use. After public hearings, by order dated April 20, 1940, the Commission disallowed the proposed increase in rates for gas sold by both Interstate and Hope to Mississippi for resale for ultimate public consumption as domestic and commercial use.

Supplement No. 1 to the agreement states that the scale of prices in the original agreement are based upon the assumption that severance tax on gas delivered under

the agreement shall not exceed nine-one hundredths of a cent (9/100¢) per MCF. Supplement No. 1 provides that if severance tax and other taxes on gas production, gas purchased, or the operation of gas properties, other than income tax, paid directly or indirectly by Interstate and Hope on gas delivered to Mississippi exceeds 9/100¢ per MCF, Mississippi will pay 50 percent of the excess to Interstate and Hope.

d. *Quantity Provisions:*

The agreement intends that Interstate and Hope shall deliver 22 percent of the requirements of Mississippi's pipe line. The requirements of the pipe line are defined as the total volume taken into the pipe line and laterals and extensions, including gas transported, sold, lost in transit, and consumed in the operation of compressor stations, but excluding gas purchased by Mississippi from United Gas Pipe Line Company (under United's Rate Schedule FPC No. 13) for delivery and sale to Crossett Lumber Company and associates.

The agreement provides that if any of the companies supplying Mississippi under the joint sales arrangements does not deliver its quota percentage of Mississippi's requirements the remainder of the supplying companies may make up the deficiency pro rata. If the supplying group of companies is unable to meet the entire requirements of the pipe line, Mississippi is at liberty to obtain gas to supply the deficiency at its own expense, from any source.

e. *Priority Provisions:*

The agreement is subject to the obligations of Interstate and Hope under all contracts made before June 21, 1928, including conditional contracts for supply of gas to Memphis and New Orleans. In case of shortage of supply,

however, the Memphis contract has no priority over the agreement with Mississippi; deliveries under both agreements are to be prorated, with preference given to gas supplied for domestic purposes.

f. *Delivery and Metering:*

Gas is delivered to Mississippi at its receiving station at Perryville, Louisiana and measured at that point by Mississippi's meters. Check meters have been installed by Interstate and Hope.

Interstate and Hope are required to deliver gas at the highest pressure which can be maintained from the natural pressure of the wells but not more than 200 and not less than 50 pounds per square inch. Mississippi is not obligated to but may take gas at pressures less than 50 pounds.

The unit of measurement for gas delivered in the MCF at a temperature of 60° F., and at a pressure of 8 ounces above an assumed atmospheric pressure of 14.4 pounds per square inch absolute, computed according to Boyle's Law.

g. *Heating Value:*

The agreement does not contain a provision concerning minimum heating value of the gas, or price adjustment dependent upon heating value.

h. *Billing and Payment:*

Bills are to be rendered on or before the tenth day of each calendar month, and paid on or before the twentieth day of each calendar month, for gas delivered during the preceding calendar month. If payment is not made when due, interest at 6 per cent per annum accrues from the due date to the date of payment.

5. *Agreement with United Gas Pipe Line Company for the Account of Memphis Natural Gas Company.*

a. *Introduction:*

On May 24, 1928, Industrial Gas Company, a predecessor of United Gas Pipe Line Company, made an agreement to sell gas to Memphis Natural Gas Company.

Under date of January 7, 1930, an agreement was entered into by Industrial Gas Company, The Palmer Corportion of Louisiana, Interstate Natural Gas Company, Incorporated and Hope Producing Company, Southern Carbon Company, and United Carbon Company whereby each of the five parties delivers a percentage of the total amount of gas which Industrial Gas Company had agreed to sell Memphis Natural Gas Company in the agreement of May 24, 1928. The percentage quota of each of the present suppliers has been stated previously in this exhibit. United Gas Pipe Line Company is successor to Industrial Gas Company and The Palmer Corporation of Louisiana.

United Gas Pipe Line Company bills Memphis Natural Gas Company for the entire amount delivered each month by all the contracting parties. After Memphis Natural Gas Company pays the bill, United Gas Pipe Line Company pays each of the other companies its share, based on volume delivered, of the amount of money received from the Memphis company.

The agreement of January 7, 1930 terminates on the date of expiration of the agreement between United Gas Pipe Line Company and Memphis Natural Gas Company dated May 24, 1928 (hereinafter sometimes termed the "Memphis contract"). Subsequent statements generally refer to the Memphis contract.

b. *Service Area of Purchaser:*

Memphis Natural Gas Company operates a pipe line extending from Guthrie, Louisiana, to Memphis and Jackson, Tennessee. The company's principal market is Memphis. Gas delivered by Interstate is commingled with gas produced by Memphis Natural Gas Company or its subsidiary and gas purchased from other suppliers, and is sold by Memphis Natural Gas Company to ultimate consumers and distribution companies in Arkansas, Mississippi and Tennessee and consumed in the operation of its pipe line.

c. *Term of Agreement:*

The Memphis contract dated May 24, 1928 became effective January 10, 1929. The agreement is to continue for a period of 15 years from that date. If at the end of the 15-year period the seller has natural gas available to continue supplying the buyer, then the agreement is extended on all the same terms and conditions, except as to price, for an additional period of 10 years or for such part of 10 years as the seller has natural gas available.

d. *Rates in Effect June 1, 1942:*

The rate in effect for all gas sold is 8 cents per MCF, plus adjustment for increased severance tax (0.18 cent per MCF), plus one-half of the Louisiana gas gathering tax (0.25 cent per MCF). The 8 cent rate is based on Louisiana severance taxes imposed under laws existing at the date of the agreement; if severance taxes are increased or decreased, the rate is correspondingly changed. Memphis Natural Gas Company has agreed to pay one-half of the Louisiana gas gathering tax.

The original agreement provided that the base rate was to increase from 8 cents per MCF to 9 cents per MCF beginning January 10, 1941 but the supplying companies

have waived the increase for two successive 12-months' periods.

e. *Quantity Provisions:*

Under the provisions now in effect, the agreement provides that the Memphis company shall purchase up to 16 billion cubic feet during each contract year, and shall have the right to purchase such additional amounts of natural gas as may be needed to meet the requirements of its system.

f. *Priority Provisions:*

The original agreement between Industrial Gas Company and Memphis Natural Gas Company states that the total requirements of all present contracts of Industrial Gas Company having any priority or preference over obligations to the Memphis company do not exceed 10 million cubic feet of gas per day. The agreement also provides that in case of shortage of gas and necessity for curtailment, delivery of gas to the Memphis company and to such other customers to which Industrial Gas Company may sell natural gas shall be on a priority basis, but domestic consumers shall be given preference over industrial consumers. In the agreement of January 7, 1930, each of the parties which joined Industrial Gas Company in supplying the requirements of Memphis Natural Gas Company specified that its obligations to deliver to the Memphis company were subject to specified agreements already in effect.

g. *Delivery and Metering:*

Gas is delivered to the Memphis company near its Guthrie compressor station. Under a supplementary agreement, Interstate Natural Gas Company, Incorporated delivers the production from two of its wells into a 6" pipe line of Memphis Natural Gas Company.

Deliveries of gas to the Memphis company are to be made at a pressure of 200 pounds per square inch at the Memphis company's receiving station as long as the natural pressure of the wells will permit delivery of contract requirements against that pressure. If the natural pressure of the wells decreases so that delivery of the required quantity cannot be made at 200 pounds pressure, then the seller shall deliver gas at a pressure of at least 100 pounds per square inch. If the natural pressure of the wells decreases to the extent that the deliveries of the required quantitites of natural gas at a pressure of 100 pounds per square inch cannot be made by natural pressure, then the seller is required to construct and operate, or cause to be constructed and operated, compressor stations or other facilities which will deliver natural gas to the Memphis company at a pressure of at least 100 pounds per square inch gauge.

The unit of measurement for gas delivered is the MCF at a temperature of 60° F., at a pressure of 8 oz. above an assumed atmospheric pressure of 14.65 pounds per square inch absolute, computed according to Boyle's Law.

h. *Heating Value:*

The agreement provides that the natural gas delivered shall have an average gross heating value of not less than 950 Btu per cubic foot.

i. *Billing and Payment:*

Bills are to be rendered on or before the 15th day of each calendar month and paid on or before the 25th day of each calendar month for gas delivered during the preceding calendar month. If payment is not made when due, interest at 6% per annum accrues from the due date to the date of payment.

6. *Agreement with Southern Natural Gas Company.*

a. *Service Area of Purchaser:*

Southern Natural Gas Company (hereinafter sometimes referred to as "Southern") operates a pipe line extending from Perryville, Louisiana to Birmingham and Atlanta. The company's principal markets are the Birmingham and Atlanta areas. Gas sold to Southern by Interstate is commingled with gas produced or purchased by Southern or its subsidiary in the Logansport, Floyd and Joaquin fields and gas purchased from other suppliers and is sold by Southern to ultimate consumers and distribution companies in Mississippi, Alabama, and Georgia and consumed in the operation of Southern's pipe line.

b. *Term of Agreement:*

The term of the agreement, dated April 1, 1941, is from its effective date July 1, 1941 to December 31, 1949.

c. *Rates in Effect June 1, 1942:*

The rate provided for regular gas (Contract Percentage) is a two-part rate as follows:

Demand Charge: 35¢ per Month per MCF of billing demand.

Commodity Charge: 5¢ per MCF.

Additional gas above the Contract Percentage is sold to Southern at the average price per MCF paid for regular gas.

The price of all gas is subject to adjustment for increase in certain taxes above two-tenths of a cent (2/10¢) per MCF. Southern is to pay 50 per cent of any excess over 2/10¢ per MCF. Taxes covered by the price adjustment provision include taxes, licenses or fees charged

on the production, severance, gathering, transportation, handling, sale or delivery of gas, and on value or sales price of gas, but exclude ad valorem, income, excess profits, franchise, general gross receipts, general gross income, general sales, and general occupation or license taxes.

d. *Quantity Provisions:*

Interstate and Hope are originally to supply 16.6125 per cent of Southern's requirements, and all the supplying group of companies are to deliver 75 per cent of Southern's requirements in the area defined in the contract which includes part of Mississippi, all of Alabama and Georgia, and part of Tennessee.

There are several provisions concerning adjustment of percentages of the suppliers as a group and of each supplying party. Under these provisions, Southern may reduce the percentage of requirments purchased from the supplying group. If the group fails to deliver its quota on five or more of the ten peak days during the period from November 1 of any year to March 31 of the next year, Southern may reduce the percentage which it purchases from the group. If any individual supplier fails to meet its quota on five or more of the ten peak days during the period from November 1 of any year to March 31 of the next year, the members of the supplying group who have met their quotas have the right to increase their percentage to meet the deficiency, effective April 1.

e. *Priority Provisions:*

The obligations of Interstate to deliver gas to Southern are subject to the reservation of sufficient gas to perform obligations under specified agreements, including those in effect January 15, 1929, and to supply gas to pipe lines from the Monroe Field to a number of places including St. Louis, Memphis, New Orleans, and Shreveport.

f. *Deliveries and Metering:*

Gas is delivered to Southern at its receiving station at Perryville, Louisiana.

Deliveries of gas to Southern are to be made at a pressure of 200 pounds per square inch at the receiving station as long as the natural pressure of the wells will permit delivery of contract requirements. If the natural pressure is insufficient to enable Interstate to make deliveries at 200 pounds pressure, then Interstate is to make deliveries at the highest pressure which can be maintained from the natural pressure of the wells, but not less than 50 pounds. Southern is not obligated to but may take gas at pressures of less than 50 pounds.

The unit of measurement for gas delivered is the MCF at a temperature of 60° F., at a pressure of 8 oz. above an assumed atmospheric pressure of 14.4 pounds per square inch absolute, computed according to Boyle's law.

g. *Heating Value:*

The agreement does not contain a provision concerning the heating value of gas delivered from the Monroe Field (or from the East Carroll Field or West Carroll Field). The agreement, however, provides that no gas having a heat content at contract metering conditions of less than 925 or more than 1,100 Btu per cubic foot shall be delivered to Southern until equitable adjustment is made between Southern and all of the supplying group of companies, taking into account, among other things, the effects which the decrease or increase of the heat content of the commingled gas in Southern's line would have upon the volume and price of all gas received into or delivered from Southern's line.

h. *Billing and Payment:*

Bills are to be rendered on or before the 15th day after the close of each billing month and paid on or before the 25th day after the close of each billing month. If the payment is not made when due, interest at 6% per annum accrues from the due date to the date of payment.

EXHIBIT No. 65.

Federal Power Commission.

Docket No. G-149.

Interstate Natural Gas Company, Incorporated.

Cost of Service, 1938 to 1941, and Allocation of Cost of Service, 1941, Interstate Natural Gas Company, Incorporated.

Federal Power Commission Docket No. G 132 et al. Hearing Ex. No. 65. 6/20/42.

Federal Power Commission, Docket No. ..... Exhibit No. 65 (for Identification). Date Identified 6/20/42.

Witness: James V. O'Connor.

Docket G-149.

Table of Contents.

Written Explanatory Statement:
A. Introduction 2
B. Cost of Service, 1938 to 1941 3
C. Allocation of Cost of Service, 1941 4

D. General Explanation of Cost Allocation Method, 1941 5
E. Details of Allocation Procedure, 1941 7
F. Source of Information 11

Schedule No. 1. Summary of Cost of Service, 1938 to 1941 13
Schedule No. 2. Determination of Federal Income and Excess Profits Taxes Payable with Return at 6½ Per Cent Per Annum, 1941 14
Schedule No. 3. Summary of Cost Allocation, with Return at 6½ Per Cent Per Annum and with Corresponding Federal Income and Excess Profits Taxes, 1941 15
Schedule No. 4. Cost of Service, by Customers and Locations with Return at 6½ Per Cent Per Annum and with Corresponding Federal Income and Excess Profits Taxes, 1941 16
Schedule No. 5. Cost of Gas Produced and Purchased, 1941 19
Schedule No. 6. Cost of Transmission, 1941 21
Schedule No. 7. Adjusted Plant, Reserves, and Net Plant, December 31, 1941: Depreciation, Depletion, and Return, 1941 23
Schedule No. 8. Reconciliation of Revenues and Expenses for 1941 between Accounting Examiner's Exhibit and Cost Allocation Exhibit 25
Schedule No. 9. Details of Cost of Service, 1941 ... 26

Docket G-149.

Interstate Natural Gas Company, Incorporated.

Under date of December 5, 1939, the Commission issued an order instituting an investigation into and concerning the rates, charges, classifications, rules, regulations, prac-

tices, and contracts of Interstate Natural Gas Company, Incorporated. As a result thereof, and pursuant to instructions from the Commission, a statement of the cost of service rendered by Interstate Natural Gas Company, Incorporated has been prepared for the purpose of setting forth pertinent facts concerning matters involved in this investigation by the Commission.

Washington, D. C., June 10, 1942.

JAMES V. O'CONNOR,
(James V. O'Connor),
Senior Rate Investigator.

Approved:
H. ZINDER,
Chief, Division of Rates and Research.
CHAS. W. SMITH,
Chief, Bureau of Accounts, Finance and Rates.

Docket G-149.

Written Explanatory Statement.

A. Introduction.

This exhibit shows the cost of gas service rendered by Interstate Natural Gas Company, Incorporated for the years 1938 to 1941, and an allocation of the cost of service for the year 1941 between customers served by the company.

Cost of service as used in this exhibit includes all operating expenses, depreciation, depletion, taxes, exploration and development costs, and a return on a depreciated original cost rate base. The rate of return assumed for the purpose of this exhibit is 6½ per cent per annum.

The rate base adopted for the purpose of the exhibit is the sum of the net adjusted book cost of gas plant in service, construction work in progress, and working capital, as determined by accounting examiners of the Commission (Exhibits Nos. 56, 59, 61, 62a, 62b and 63). The term "net adjusted book cost of plant" represents the difference between the adjusted book cost of plant and the adjusted depreciation and depletion reserves related thereto, as determined by accounting examiners of the Commission (Exhibits Nos. 56, 59, 63).

The necessity for an allocation of costs arises from the fact that the several customers of the company jointly use the same production and transmission plant and depend for service upon the same pipe line facilities and gas supply.

The problem of allocation of joint costs is one that engineers and economists have been studying for many years, not only in the utility industry but in all other industries in which joint costs are present. But to date no scientific formula has been devised which can be applied in all cases, or even in a particular industry. The problem of allocation of joint costs is still one requiring the exercise of informed judgment and the use of procedures which appear to be reasonable in each particular instance. The allocation in this exhibit represents, in my opinion, a reasonable basis for apportioning the costs of service of Interstate Natural Gas Company, Incorporated.

In this exhibit, demand costs have been apportioned between customers on the basis of their peak responsibility or demand on the day of the system peak. This basis of apportioning demand costs has been used because it is reasonable under the circumstances which exist on the system of Interstate Natural Gas Company, Incorporated.

All customers contribute to the peak day demand and there is no large off-peak customer or group of important customers which are actually disconnected at the time of the system peak.

The allocation presented in this exhibit shows the cost of rendering service to each distribution company in addition to the cost of serving distribution companies as a class. This does not infer that separate rates are proper for each distribution company. Where the character of service rendered is similar and costs of service are not materially different, a single uniform rate applicable to all distribution companies is desirable. The cost of service to each distribution company may be used as a guide to avoid undue discrimination in the terms of the uniform rate.

B. Cost of Service, 1938 to 1941.

Schedule No. 1 shows the rate base, revenues, cost of service, and excess of revenues over cost of service for the years 1938 to 1941. The cost of service shown for 1938, 1939, and 1940 includes federal income and excess profits taxes as recorded for those years. For the year 1941, the cost of service is shown on two bases. In column 5, cost of service includes the full amount of federal income and excess profits taxes payable based on actual revenues for 1941. In column 6, cost of service includes the amount of federal income and excess profits taxes which would have been payable in 1941 if the company earned 6½ per cent return on the rate base used in this exhibit. In column 5, the excess of revenues over cost of service for 1941 is shown as $1,353,918.28, whereas in column 6, the excess is shown as $2,410,875.54. The difference between these two figures, $1,056,957.26, represents the reduction in federal income and excess profits taxes which would result if revenues were reduced so

that the company earned 6½ per cent return on the rate base in 1941. As shown on lines 16 and 17, columns 5 and 6, federal income tax would be reduced from $815,032.02 to $215,472.77, and federal excess profits tax of $457,398.01 would be eliminated.

The method of determining the revised federal income taxes is shown in Schedule No. 2. The company's federal income and excess profits taxes would not be reduced to the amounts shown in Schedule No. 2, if rates to all customers were not revised to the basis of 6½ per cent return on the rate base. The difference between taxes computed in Schedule No. 2 and any higher taxes due to maintaining present rates for some classes of consumers would properly be chargeable to those consumers whose rates remain unchanged, and on which the company is earning more than a 6½ per cent return.

C. Allocation of Cost of Service, 1941.

Schedule No. 3 summarizes the allocation of the cost of service for 1941 by classes of business. This schedule shows, for each of five classes of business, volumes of gas sold and transported in 1941, revenues from the sale and transportation, cost of service, average revenue received per MCF sold or transported, and average cost of service per MCF sold or transported. The totals in Columns 3, 4, and 5 agree with corresponding figures in Column 6 of Schedule No. 1.

The excess of revenues over cost of service totals $2,410,875.54. Column 5 of Schedule 3 shows that $1,015,077.72 or 42.1 per cent of this total is applicable to the sale of gas to direct industrial customers; $20,020.47 or 0.8 per cent is applicable to the sale of gas to a public authority, (East Louisiana State Hospital); $135,482.72 or 5.6 per cent of the total is applicable to the sale of gas to dis-

tribution companies; $893,189.43 or 37.1 per cent is applicable to the sale of gas to pipe line companies; and $347,105.20 or 14.4 per cent of the total is applicable to the transportation of gas for United Gas Pipe Line Company.

Schedule No. 4 shows the same information as Schedule No. 3, but in more detail, including data for each distribution company at each point of delivery and for each pipe line company served.

The remaining schedules present supporting data for Schedules Nos. 3 and 4.

Schedule No. 5 shows the cost of gas produced and purchased in 1941, including the allocation of costs between sources of supply. Schedule No. 6 shows the cost of transmission of gas in 1941, including the allocation of costs between the several sections into which the property was segregated for the purpose of the cost allocation.

Schedule No. 7 shows the adjusted book cost of plant in service December 31, 1941, adjusted depreciation and depletion reserves as of the same date, net adjusted book cost of plant in service December 31, 1941, depreciation and depletion for 1941, and return at 6½ per cent per annum on net adjusted book cost of plant in service December 31, 1941. The schedule also shows construction work in progress December 31, 1941 and corresponding return at 6½ per cent.

Schedule No. 8 is a reconciliation of the revenues and expenses used in preparing the cost allocation for 1941 and Exhibit No. 63 submitted by an accounting examiner of the Commission.

Schedule No. 9 shows in detail the amounts of operating expenses, depreciation, depletion, taxes, exploration and development costs, and return which make up the cost of service for 1941.

D. General Explanation of Cost Allocation Method, 1941.

1. Grouping of Operations.

For the purpose of allocating costs of service for 1941, the property and operations of Interstate Natural Gas Company, Incorporated have been classified into four groups as follows:

(1) Monroe Field Operations, including the production and purchase of gas in Monroe field, the delivery and sale of gas to three pipe line companies, and the delivery of gas to De Siard Compressor Station, the first compressor station on the Company's main pipe line to Baton Rouge.

(2) Main Line Operations, covering operations from DeSiard Station to Baton Rouge, including the delivery and sale of gas to direct industrial customers, to a public authority, to distribution companies, and to United Gas Pipe Line Company. The gas supply for main line operations includes as produced and purchased by the company in Monroe field and delivered to De Siard Station, gas received from United Gas Pipe Line Company at De Siard Station for transportation to Alto and to Scotland Compressor Station of United Gas Pipe Line Company, and gas delivered from University field to Gulf States Utilities Company at Baton Rouge.

(3) Operations between Baton Rouge and Destrehan, including the purchase of gas in University, La Pice and La Place fields, and the delivery and sale of gas to in-

dustrial customers, to distribution companies, and to United Gas Pipe Line Company. Gas delivered and sold by Interstate to its own customers and to United Gas Pipe Line Company in this area is a commingled mixture of gas from the Monroe, University, La Pice and La Place fields. However, since Interstate delivers to United from University, La Piee and La Place fields sufficient gas to meet the requirements of its customers between Baton Rouge and Destrehan, with an excess remaining for sale to United, and since the agreement between Interstate and United dated August 26, 1940, (Supplement No. 3 to Interstate Natural Gas Company, Inc., Rate Schedule FPC No. 15) provides that gas delivered by Interstate to United from University, La Pice and La Place fields shall be considered first as being delivered for transportation to Interstate's customers and the excess as sold to United, the operations of Interstate between Baton Rouge and Destrehan were treated as though supplied from the University, La Pice and La Place fields for the purpose of the cost of service study.

(4) Joint operations, including the LaFitte-Marrero and Lirette-New Orleans lines operated by United Gas Pipe Line Company for the joint account (50%-50%) of Interstate and United. These operations include the purchase of gas in the La Fitte, Lirette, Lake Long, Raceland, and Du Large fields, and the delivery and sale of gas to direct industrial customers, to a distribution company, and for the account of United Gas Pipe Line Company under its sale agreements with New Orleans Public Service, Inc., and Louisiana Power and Light Company.

2. *Grouping of Costs by Functional Divisions:*

To determine costs of service for each of the four groups into which operations were classified, costs of service were segregated into two classes which are designated for con-

venience as cost of gas produced and purchased and cost of transmission.

Cost of gas produced and purchased has been developed for each of three sources of gas supply, as follows:

Monroe field,
University, La Pice, and La Place fields,
Joint Operations (La Fitte, Lirette, Lake Long, Raceland, and Du Large fields).

Cost of transmission has been developed for each of three sections as follows:

Main line to Baton Rouge,
Baton Rouge to Destrehan,

Joint Operations(La Fitte-Marrero and Lirette-New Orleans lines).

The method of allocating costs into the six functional divisions is described in Part E of this statement.

3. Classification of Costs:

After all of the costs of service had been grouped into the six functional divisions, they were then generally classified as follows:

(1) Demand costs—costs that are predominantly proportional to the demand on or size of plant or which are largely independent of the annual volume of gas delivered.

(2) Commodity costs—costs incurred predominantly in proportion to the annual volume of gas delivered.

4. Determination of Classified Functional Costs by Operating Groups:

After costs had been allocated to each of the six functional divisions, and then classified between demand and commodity, the costs were assembled for each of the four operating groups. The assembled costs for each operating group were allocated to the several customers in the group on the basis of average unit demand and commodity costs for the group. Demand costs were allocated in proportion to deliveries on the system peak day. Commodity costs were allocated in proportion to annual deliveries.

E. Details of Allocation Procedure, 1941.

1. Allocation of Production Operating Expenses:

Schedule No. 5 shows the results of the allocation of production operating expenses between the three functional divisions, which are designated for convenience in Part E of this statement as follows:

Division 1. Monroe field,
Division 2. University, La Pice and La Place fields,
Division 3. La Fitte, Lirette; Lake Long, Raceland and Du Large Fields.

Since the company's gas wells are all located in the Monroe field, all items of operating expense relating to gas wells were assigned wholly to Division 1.

Operating expenses relating to field lines were allocated between Divisions 1 and 2 in proportion to the average adjusted book cost[1] of field lines, excluding rights-of-way.

[1] "Average adjusted book cost" is the average of adjusted book cost as of December 31, 1940 and December 31, 1941.

Operating expenses relating to field measuring and regulating stations were allocated between Divisions 1 and 2 in proportion to the average adjusted book cost of field measuring and regulating station structures and equipment.

Purchased gas expenses (labor, and supplies and expenses) were allocated between Divisions 1 and 2 in proportion to volumes purchased, using MCF on the uniform pressure base of 14.4 lbs. plus 10 oz.

Cost of purchased gas was distributed between the three divisions in accordance with actual amounts paid for purchased gas.

Superintendence was allocated between Divisions 1 and 2 in proportion to total operating labor previously allocated to each division.

2. Allocation of Transmission Operating Expenses:

Schedule No. 6 shows the results of the allocation of transmission operating expenses between the three functional divisions, which are designated for convenience in Part E of this statement as follows:

Division 4. Main line to Baton Rouge,
Division 5. Baton Rouge to Destrehan,
Division 6. Jointly-owned lines (La Fitte-Marrero and Lirette-New Orleans lines).

As shown in Schedule No. 6, compressing station expenses and certain other accounts were assigned wholly to Division 4.

Operating expenses relating to transmission lines were allocated between Divisions 4 and 5 in proportion to the

average adjusted book cost of transmission lines, excluding rights-of-way.

Operating expenses relating to measuring and regulating stations were allocated between Divisions 4 and 5 in proportion to the average adjusted book cost of measuring and regulating station structures and equipment.

Superintendence was allocated between Divisions 4 and 5 in proportion to total operating labor previously allocated to each division.

The amounts allocated to Division 6 represent the total operating expenses of the jointly-owned lines, as shown on the books of the company.

3. Allocation of Administrative and General Expenses:
The following expenses were assigned wholly to Division 4 (Transmission, Main Line): Workmen's compensation insurance, insurance on compressing stations and other structures, telephone system labor, telephone system supplies and expenses, maintenance of telephone system, and maintenance of general structures.

Insurance on boats used in the Monroe Field was assigned to Division 1 (Production, Monroe Field).

The remaining administrative and general expenses were first apportioned 50 per cent to production operations and 50 per cent to transmission operations. The amounts so apportioned to production operations were allocated between Divisions 1, 2, and 3 in proportion to direct charges to each division excluding cost of purchased gas. The amount apportioned to transmission operations was allocated to Divisions 4, 5, and 6 in proportion to direct charges to each division excluding transportation charges paid others.

4. *Allocation of Annual Accruals for Depreciation and Depletion:*

Annual accruals for depreciation and depletion of production and transmission plant were assigned directly to the functional divisions from Schedule No. 7.

Annual accruals for depreciation of the following general plant accounts were assigned wholly to Division 4 (Transmission, Main Line): General structures and improvements, communication equipment (excluding communication equipment on Lirette-New Orleans line), and construction overheads on general plant.

Annual accruals for depreciation of the remaining general plant accounts were allocated on the basis of average adjusted book cost of plant in each functional division, omitting Division 6 (Transmission, Jointly-Owned).

5. *Allocation of Taxes:*

a. Corporation Franchise Taxes:

Corporation franchise taxes were allocated between the six functional divisions in proportion to the average adjusted net book cost of plant after apportionment of general plant.

b. Property taxes:

The company's books of account show the amount of property taxes applicable to "field", "main line", and "general" property.

Taxes applicable to "field" property were allocated between Divisions 1 and 2 in proportion to average adjusted net book cost of production plant in each division. Taxes applicable to "main line" property were allocated between Divisions 4 and 5 in proportion to the average adjusted

net book cost of transmission plant in each division. Taxes applicable to general property were allocated to these four divisions in proportion to the average adjusted net book cost of general plant allocated to these divisions.

c. Severance and Gathering Taxes:

Louisiana severance and gas gathering taxes and drilling permit fees were allocated to Divisions 1 and 2 on the basis of an analysis of the accounts.

d. Payroll Taxes:

The following taxes are included under this caption: Federal old age insurance contributions; and Federal, Louisiana, and Mississippi unemployment compensation taxes. The company's books of account show the amounts of these taxes applicable to field, main line, and general operation.

Taxes applicable to field operations were apportioned between Divisions 1 and 2 in proportion to production operating labor charges previously allocated to each. Taxes applicable to main line operations were apportioned between Divisions 4 and 5 in proportion to transmission operating labor charges previously allocated to each. Taxes applicable to main line operations were apportioned between Divisions 4 and 5 in proportion to transmission operating labor charges previously allocated to each. Taxes applicable to general operations were distributed to Divisions 1, 2, 4, and 5 in proportion to payroll taxes previously allocated to each.

e. Miscellaneous Taxes:

Louisiana mechanical power tax was assigned wholly to Division 4 (Transmission, Main Line).

Louisiana pipe line corporation franchise tax was allocated between Divisions 4 and 5 on the basis of an analysis of tax returns.

f. Federal Capital Stock and Louisiana Income Taxes:
These taxes were allocated to the function divisions in the same proportion as return on the rate base. Louisiana income tax was not adjusted to 6½% return on the rate base.

g. Federal Income and Excess Profits Taxes:
Federal income and excess profits taxes (as adjusted, Schedule No. 2) were allocated to the functional divisions in the same proportion as return on rate base.

6. Allocation of Non-Recurring Expenses
The expense of acidizing wells in Monroe field was assigned to Division 1. All other non-recurring expenses were apportioned to the functional divisions in the same manner as the major portion of administrative and general expenses were allocated.

7. Allocation of Miscellaneous Gas Revenues Credited to Expense:
The allocation of these items to Divisions 1 and 4 is evident from Schedules Nos. 5 and 6.

8. Allocation of Return on Rate Base:
Return on production and transmission plant in service and construction work in progress was assigned directly to the functional divisions from Schedule No. 7.

Return on the following general plant accounts was assigned wholly to Division 4 (Transmision, Main Line): General structures and improvements, communication equipment (excluding communication equipment on

Lirette-New Orleans line), and construction overheads on general plant.

Return on the remaining general plant accounts was allocated on the basis of average adjusted net book cost of plant in each functional division, omitting Division 6 (Transmission, Jointly Owned).

Return on production working capital was allocated to Divisions 1 and 2 in proportion to direct charges to production operating expense, excluding cost of gas purchased.

Return on transmission working capital was allocated to Divisions 4 and 5 in proportion to direct charges to transmission operating expense, excluding transmission charges paid others.

F. Sources of Information.

1. Volume Data:

The volume data used in preparing the cost allocation exhibit were obtained from an examination of company records, and from Exhibit No. 49 submitted in this proceeding by an engineer of the Commission and supporting working papers.

2. Financial Data:

The financial data used in preparing this exhibit were obtained from an examination of company records, and from exhibits submitted in this proceeding by accounting examiners of the Commission and supporting working papers. Schedule No. 7, except for column 6, is a statement prepared by the accounting examiners from their working papers.

Docket G-149. Interstate Natural Gas Company, Inc. Schedule No. 1.

Summary of Cost of Service, 1938 to 1941.

(Cost of Service shown for 1941 both before and after adjustment of federal income taxes.)

Line Number	Description (1)	1938* (2)	1939* (3)	1940* (4)	1941* (5)	1941** (6)
1	*Rate Base*					
2	Adjusted Book Cost of Plant in Service, December 31	$20,310,518.30	$20,507,347.63	$21,235,613.10	$21,387,157.17	$21,387,157.17
3	Less: Adjusted Depreciation and Depletion Reserves, December 31	4,625,899.22	5,204,774.00	5,764,758.11	6,328,933.70	6,328,933.70
4	Net Adjusted Book Cost of Plant in Service, December 31	15,684,619.08	15,302,573.63	15,470,854.99	15,058,223.47	15,058,223.47
5	Add: Construction Work in Progress, December 31	4,451.35	.....	13,438.94	178,550.37	178,550.37
6	Add: Working Capital	347,202.00	347,202.00	347,202.00	347,202.00	347,202.00
7	Total Rate Base	$16,036,272.43	$15,649,775.63	[illegible]31,495.93	$15,583,975.84	$15,583,975.84
8	*Revenues*					
9	Revenue from Sale of Gas	$4,313,006.03	$4,571,805.85	$5,390,446.34	$6,563,539.83	$6,563,539.83
10	Revenue from Transportation of Gas	1,248,979.87	1,289,903.48	1,106,294.01	1,036,533.10	1,036,533.10
11	Total Revenues	$5,561,985.90	$5,861,709.33	$6,496,740.35	$7,600,072.93	$7,600,072.93
12	*Cost of Service*					
13	Operating Expenses	$1,772,842.40	$1,864,164.21	$2,278,169.53	$2,585,701.08	$2,585,701.08
14	Depreciation	480,443.66	497,772.91	502,907.41	524,767.97	524,767.97
15	Depletion	79,162.62	95,669.14	80,413.18	90,128.53	90,128.53
16	Federal Income Taxes	376,720.75	407,597.91	586,621.48	815,032.02	215,472.77
17	Federal Excess Profits Taxes	.....	.....	4,441.91	457,398.01	.....
18	Other Taxes	474,297.65	463,383.29	543,230.82	700,630.50	700,630.50
19	Non-Recurring Expenses	7,735.99	17,954.45	104,987.06	63,299.94	63,299.94
20	Exploration and Development Costs	3,809.35	2,763.41	138,379.12	16,021.77	16,021.77
21	Miscellaneous Gas Revenues Credited to Expense	(17,765.82)	(19,850.59)	(17,511.30)	(19,783.60)	(19,783.60)
22	Return on Rate Base at 6½ Per Cent Per Annum	1,042,357.71	1,017,235.42	1,029,047.23	1,021,958.43	1,012,958.43
23	Total Cost of Service	$4,219,604.31	$4,346,690.15	$5,250,686.44	$6,246,154.65	$5,189,197.39
24	Excess of Revenues Over Cost of Service	$1,342,381.59	$1,515,019.18	$1,246,053.91	$1,353,918.28	$2,410,875.54

* Cost of service includes federal income and excess profits taxes payable based on actual revenues.
** Cost of service includes federal income and excess profits taxes adjusted to a 6½ per cent on rate base.

Docket G-149. Interstate Natural Gas Company, Incorporated. Schedule No. 2.

Determination of Federal Income and Excess Profits Taxes Payable With Return at 6½ Per Cent Per Annum, 1941.

Line Number	Item	Amount
1	Net income for excess profits tax; per company return	$3,087,340.03
2	Specific exemptions (average income basis), per company returns	2,248,343.35
3	Amount subject to excess profits tax, per company return	838,996.68
4	Excess profits tax, per company return	457,398.01
5	Net income for excess profits tax, per company return	3,087,340.03
6	Excess profits tax, per company return	457,398.01
7	Amount subject to income tax, per company return	2,629,942.02
8	Income tax (First $25,000 @ 30%, remainder @ 31%) per return	815,032.02
9	Revenues, per cost of service study	7,600,072.93
10	Cost of service, including above taxes and 6½% return	6,246,154.65
11	Difference	1,353,918.28
12	If revenues were reduced by amount in excess of 6½% return, no excess profits tax would be payable. Income tax which would be payable is recomputed below.	
13	Net income, per company return	3,087,340.03
14	Plus Louisiana natural gas sales tax, refunded in 1942, per company return	19,415.41
15	Revised income tax base, before revenue reduction	3,106,755.44
16	Revised income tax before revenue reduction (30% on first $25,000 31% on remainder)	962,844.19
17	Revenues, per cost of service study	7,600,072.93
18	Cost of service, excluding Federal income and excess profits taxes and 6½% return	3,960,766.19
19	Revised income tax (from line 16)	962,844.19
20	Total of lines 18 and 19	4,923,610.38
21	Net Utility income, revised (line 17 less line 20)	2,676,462.55
22	Return @ 6½% per annum	1,012,958.43
23	Excess of revenues, before tax saving	1,663,504.12
24	Excess of revenues after tax saving (line 23 ÷ 0.69)	2,410,875.54
25	Income tax adjusted to 6½% return on rate base (line 19—[line 24 — line 23])	215,472.77
26	Net income for tax purposes, before revenue reduction (line 15)	3,106,755.44
27	Reduction in revenues (line 24)	2,410,875.54

Docket G-149. Interstate Natural Gas Company, Inc. Schedule No. 3.

Summary of Cost Allocation, With Return @ 6½ Per Cent Per Annum and With Corresponding Federal Income and Excess Profits Taxes, 1941.

Line Number	Class of Business (1)	Annual Volumes MCF* (2)	Revenues (3)	Cost of Service (4)	Excess of Revenues Over Cost of Service (5)	Average Revenue Cents Per MCF* (6)	Average Cost of Service Cents Per MCF* (7)
1	Sale of Gas to Industrial Customers	32,062,156	$3,689,533 9	$2,674,455.57	$1,015,077.72	11.51	8.34
2	Sale of Gas to Public Authority	277,045	46,807.5	26,786.58	20,020.47	16.90	9.67
3	Sale of Gas to Distribution Companies	1,929,366	380,947.42	245,464.70	135,482.72	20.26	12.72
4	Sale of Gas to Pipe Line Companies	32,618,561	2,446,252.07	1,553,062.64	893,189.43	7.50	4.76
5	Transportation of Gas for United Gas Pipe Line Company	16,147,101	1,036,533.10	689,427.90	347,105.20	6.42	4.27
6	Total	83,034,229	$7,600,072.93	$5,189,197.39	$2,410,875.54		

* MCF at 14.4 lbs. plus 10 oz.

Line Number	Customer (1)	Location (2)	Annual Volumes MCF* (3)	System Peak Day Volumes MCF* (4)	Revenue (5)	Cost of Service (6)	Excess of Revenue Over Cost of Service (7)	Average Revenue Cents Per MCF* (8)	Average Cost of Service Cents Per MCF* (9)
1	*Sales From Lines in Monroe Field*								
2	Direct Industrial Sale (Well Drilling)		1,300	.....	$ 200.00	$ 60.56	$ 139.44	15.38	4.66
3	Sales to Pipe Line Company for Resale:								
4	Mississippi River Fuel Corporation	Perryville Station, La.	8,257,283	.....	686,012.17	384,682.70	301,329.47	8.31	4.66
5	Southern Natural Gas Company	Perryville Station, La.	9,609,006	.....	594,458.78	447,655.53	146,803.25	6.19	4.66
6	U. G. P. L. Co. (a/c Memphis Natural Gas Company)	Guthrie Station, La.	3,996,989	.....	334,396.53	186,208.05	148,188.48	8.37	4.66
7	Total Sales to Pipe Line Companies		21,863,278	.....	1,614,867.48	1,018,546.28	596,321.20	7.39	4.66
8	Total Sales in Monroe Field		21,864,578	.....	1,615,067.48	1,018,606.84	596,460.64	7.39	4.66
9	*Sales From Main Line to Baton Rouge* (a)								
10	Direct Industrial Sales:								
11	Concordia Parish Gin	Ferriday, La.	.....	.....	.....	.....	.....	....	....
12	Ethyl Gasoline Corporation	Baton Rouge, La.	.....	.....	.....	.....	.....	....	....
13	Gulf States Utilities Company (Power Plant)	Baton Rouge, La.	.....	.....	.....	.....	.....	....	....
14	The Solvay Process Company	Baton Rouge, La.	.....	.....	.....	.....	.....	....	....
15	Standard Oil Company of Louisiana	Baton Rouge, La.	.....	.....	.....	.....	.....	....	....
16	Total Direct Industrial Sales		27,096,213	93,097	3,186,076.03	2,289,301.60	896,774.43	11.76	8.45
17	Sales to Public Authority:								
18	East Louisiana State Hospital	Jackson, La.	277,045	1,398	46,807.05	26,786.58	20,020.47	16.90	9.67
19	Sales to Distribution Companies for Resale:								
20	Louisiana Power and Light Company	Gilbert, La.	7,241	66	1,919.60	923.59	996.31	26.51	12.75
21	Louisiana Power and Light Company	Wisner, La.	8,689	89	2,349.30	1,182.19	1,167.11	27.04	13.61
22	Peck Gas Company	Peck, La.	1,021	5	254.80	97.57	157.23	24.96	9.56
23	Sicily Island Gas Company, Inc.	Sicily Island, La.	13,610	93	3,521.70	1,500.16	2,021.54	25.88	11.02
24	Louisiana Power and Light Company	Ferriday, La.	27,594	247	8,533.70	3,484.29	5,049.41	30.93	12.63
25	Town of Vidalia	Vidalia, La.	13,961	135	4,082.80	1,838.85	2,243.95	29.24	13.17
26	Mississippi Power and Light Company	Natchez, Miss.	459,106	2,771	96,788.28	47,831.00	48,957.28	21.08	10.42
27	Buffalo Gas Company	Wilkinson, Miss.	1,298	13	452.20	174.36	277.84	34.84	13.43
28	Town of Woodville	Woodville, Miss.	22,917	187	7,181.55	2,756.34	4,425.21	31.34	12.03
29	Town of Centerville	Centerville, Miss.	4,875	62	1,657.50	754.67	902.83	34.00	15.48
30	Town of Jackson	Jackson, La.	8,187	73	2,515.25	1,031.61	1,483.64	30.72	12.60
31	Town of St. Francisville	St. Francisville, La.	9,831	105	3,052.42	1,370.16	1,682.26	31.05	13.94
32	Town of Zachary	Zachary, La.	8,270	81	2,640.45	1,097.08	1,543.37	31.93	13.27
33	Gulf States Utilities Company	Baton Rouge, La.	1,239,534	13,233	214,222.01	172,709.39	41,512.62	17.28	13.93
34	Total Sales to Distribution Companies for Resale		1,826,134	17,160	349,171.56	236,750.96	112,420.60	19.12	12.96

Docket G-149. Interstate Natural Gas Company, Inc. Schedule No. 4.

Cost of Service, By Customers and Locations, With Return at 6½ Percent Per Annum and With Corresponding Federal Income and Excess Profits Taxes, 1941.

Line Number	Customer (1)	Location (2)	Annual Volumes MCF* (3)	System Peak Day Volumes MCF* (4)	Revenue (5)	Cost of Service (6)	Excess of Revenue Over Cost of Service (7)	Average Revenue Cents Per MCF* (8)	Average Cost of Service Cents Per MCF* (9)
36	*Sales From Lines Between Baton Rouge and Destrehan* (a)								
37	Direct Industrial Sales:								
38	DeHass-Eby Lumber Company	Sorrento, La.	.....	.....	.....	.....	.....	....	....
39	Colonial Sugars Company	Gramercy, La.	.....	.....	.....	.....	.....	....	....
40	Godchaux Sugars, Inc.	Reserve, La.	.....	.....	.....	.....	.....	....	....
41	Shell Oil Company	Norco, La.	.....	.....	.....	.....	.....	....	....
42	General American Transport Corporation	Goodhope, La.	.....	.....	.....	.....	.....	....	....
43	Total Direct Industrial Sales		4,737,827	8,324	477,307.25	375,741.05	101,566.20	10.07	7.93
44	Sales to Distribution Companies for Resale:								
45	Suburban Utilities, Inc.	Baton Rouge, La.	33,906	397	10,883.25	2,889.67	7,993.58	32.10	8.52
46	Gulf States Utilities Company	Inniswold, La.	889	8	307.65	74.15	233.50	34.61	8.34
47	Village of Gonzales	Gonzales, La.	12,583	101	3,896.25	1,041.37	2,854.88	30.96	8.28
48	Norco Gas & Fuel Company, Inc.	Gramercy, La.	7,802	108	2,122.00	676.08	1,445.92	27.20	8.67
49	Reserve Public Utilities Corporation	Reserve, La.	16,990	166	5,281.05	1,425.93	3,855.12	31.08	8.39
50	The La Place Gas & Fuel Company, Inc.	La Place, La.	6,840	49	2,189.05	562.12	1,626.93	32.00	8.22
51	Norco Gas & Fuel Company, Inc.	Norco, La.	20,819	192	5,985.10	1,739.65	4,245.45	28.75	8.36
52	Norco Gas & Fuel Company, Inc.	New Sarpy, La.	958	11	311.35	81.51	229.84	32.50	8.51
53	Norco Gas & Fuel Company, Inc.	Destrehan, La.	2,240	21	729.45	187.40	542.05	32.56	8.37
54	Total Sales to Distribution Companies for Resale		103,027	1,053	31,705.15	8,677.88	23,027.27	30.77	8.42
55	Total Sales Between Baton Rouge and Destrehan		4,840,854	9,377	509,012.40	384,418.93	124,593.47	10.51	7.94

Total Sales Between Baton Rouge and [illegible]								
Sales From Jointly-Owned Lines (a)								
Direct Industrial Sales:								
Godchaux Sugars, Inc.	Raceland, La.	.....	.....	.....	.....	.....	....	....
Valentine Sugars, Inc.	Valentine	.....	.....	.....	.....	.....	....	....
The California Company		.....	.....	.....	.....	.....	....	....
The Texas Pipe Line Company		.....	.....	.....	.....	.....	....	....
Total Direct Industrial Sales		226,816	212	25,950.01	9,352.36	16,597.65	11.44	4.12
Sales to Distribution Company for Resale:								
Norco Gas & Fuel Company, Inc.	St. Rose, La.	205	10	70.71	35.86	34.85	34.49	17.49
Total Sales from Jointly-Owned Lines		227,021	222	26,020.72	9,388.22	16,632.50	11.46	4.14
Sales to United Gas Pipe Line Company for New Orleans Area								
From Main Line to Baton Rouge		1,664,260	(b)	61,282.76	77,552.09	(16,269.33)	3.68	4.66
Between Baton Rouge and Destrehan		3,149,494	(c)	115,973.27	148,698.92	(32,725.65)	3.68	4.72
From Jointly-Owned Lines		5,941,529	28,200	654,128.56	308,265.35	345,863.21	11.01	5.19
Total Sales to United Gas Pipe Line Company		10,755,283	28,200	831,384.59	534,516.36	396,868.23	7.73	4.97
Transportation of Gas for United Gas Pipe Line Company								
From Monroe Field to Alto, La.		165,113	1,349	$ 3,264.24	$ 12,177.80	$(8,913.56)	1.98	7.38
From Monroe Field to Scotland Station, Baton Rouge, La.		15,981,988	64,376	1,033,268.86	677,250.10	356,018.76	6.47	4.24
Total Transportation for United Gas Pipe Line Company		16,147,101	65,725	1,036,533.10	689,427.90	347,105.20	6.42	4.27
Total		83,034,229	215,179	$7,600,072.93	$5,189,197.39	$2,410,875.54		

* MCF at 14.4 lbs. plus 10 oz.
(a) Excluding sales to United Gas Pipe Line Company for New Orleans area.
(b) Included in volume shown on line 73, column 4.
(c) Deliveries made from field lines (11,641 MCF*).

Docket G-149. Interstate Natural Gas Company, Inc. Schedule 5.

Cost of Gas Produced and Purchased, 1941. Sheet 1 of 2.

Line Number	Description (1)	Total (2)	Monroe Field (3)	University, La Pice and La Place Fields (4)	Jointly Owned Lines (5)
1	*Production Expense—Operation*				
2	Superintendence Labor	$ 959.02	$ 873.16	$ 85.86	$.....
3	Gas Well Labor	7,575.86	7,575.86	.....	.....
4	Gas Supplies and Expenses	1,138.39	1,138.39	.....	.....
5	Field Line Labor	8,810.03	7,767.77	1,042.26	.....
6	Field Line Supplies and Expenses	2,888.87	2,547.11	341.76	.....
7	Field Meter and Regulator Station Labor	13,948.96	12,766.31	1,182.65	.....
8	Field Meter and Regulator Station Supplies and Expenses	812.51	743.62	68.89	.....
9	Total Operation Expenses	$36,133.64	$33,412.22	$2,721.42	.....
10	*Production Expense—Maintenance*				
11	Maintenance of Field Meter and Regular Station Structures	$ 567.10	$ 519.02	$ 48.08	.....
12	Maintenance of Field Meter and Regulator Station Equipment	3,442.00	3,150.17	291.83	.....
13	Maintenance of Gas Wells Equipment	5,422.73	5,422.73	.....	.....
14	Maintenance of Field Line Equipment	11,118.10	9,802.79	1,315.31	.....
15	Total Maintenance	$20,549.93	$18,894.71	$1,655.22	$.....
16	*Production Expense—Miscellaneous*				
17	Gas Well Royalties	$42,547.42	$42,547.42	.....	.....
18	Gas Consumed in Operations	(24,885.66)	(24,885.66)	.....	.....
19	Transportation Charges Paid Others	661.00	661.00	.....	.....
20	Total Miscellaneous	$18,322.76	$18,322.76	$.....	$.....
21	*Production Expense—Other*				
22	Gas Purchased	$1,789,201.33	$1,244,143.70	$330,154.32	$214,903.31
23	Gas Purchased Expense—Labor	2,731.46	1,996.11	735.35	.....
24	Gas Purchased Expense—Supplies and Expenses	279.82	204.49	75.33	.....
25	Total Other	$1,792,212.61	$1,246,344.30	$330,965.00	$214,903.31
26	*Administrative and General Expenses (Allocated)*	$105,919.02	$ 98,042.22	$6,976.80	$.....
27	*Depreciation*				
28	Depreciation, Production Plant	$ 82,218.02	$ 77,345.62	$4,872.40	.....
29	Depreciation, General Plant (Allocated)	5,813.14	5,658.41	154.73	.....
30	Total	$ 88,031.16	$ 83,004.03	$5,027.13	$.....
31	*Depletion*	$ 90,128.53	$ 90,128.53	$	$

Docket G-149. Interstate Natural Gas Company, Inc. Schedule 5.

Cost of Gas Produced and Purchased, 1941. Sheet 2 of 2.

Line Number	Description (1)	Total (2)	Monroe Field (3)	University, La Pice and La Place Fields (4)	Jointly Owned Lines (5)
32	*Taxes*				
33	Property Taxes	$ 18,847.41	$ 18,296.66	$ 550.75	$.....
34	Severance Tax	84,044.45	84,044.45	.....	.....
35	Gathering Tax	245,538.85	203,445.45	42,093.40	.....
36	Drilling Permit Fees	400.00	400.00	.....	.....
37	Payroll Taxes	2,804.22	2,597.15	207.07	.....
38	Corporation Franchise Taxes	6,058.13	5,881.10	177.03	.....
39	Louisiana Income and Federal Capital Stock Taxes	38,614.10	37,514.04	1,100.06	.....
40	Federal Income and Excess Profits Taxes (a)	79,906.73	77,630.30	2,276.43	.....
41	Total Taxes	$476,213.89	$429,809.15	$46,404.74	$.....
42	*Non-Recurring Expenses (Allocated)*	$ 39,058.81	$ 37,447.04	$ 1,611.77	$.....
43	*Exploration and Development Costs*	$ 16,021.77	$ 16,021.77	$.....	$.....
44	*Other Gas Revenues (Credit)*				
45	Transportation of Gas for Southern Carbon Company	$(175.01)	$(175.01)	$.....	$.....
46	Transportation of Gas for United Carbon Company	(593.93)	(593.93)	.....	.....
47	Revenue from Lease of Gas Lands and Gas Rights	(1,575.46)	(1,575.46)	.....	.....
48	Royalties	(1,301.22)	(1,301.22)	.....	.....
49	Sand and Gravel Royalties	(1,706.50)	(1,706.50)	.....	.....
50	Sale of Timber, Damages, Sale of Rights-of-Way	(869.76)	(869.76)	.....	.....
51	Total Revenues Credited to Expense	$(6,221.88)	$(6,221.88)	$.....	$.....
52	*Return at 6½% Per Annum on Plant in Service*				
53	Production Plant	$363,348.66	$352,864.13	$10,484.53	$.....
54	General Plant (Allocated)	2,164.67	2,102.21	62.46	.....
55	Total Return	$365,513.33	$354,966.34	$ 10,546.99	$.....
56	*Return at 6½% Per Annum on Construction Work in Progress*	$ 7,809.15	$ 7,809.15	$.....	$.....
57	*Return at 6½% Per Annum on Working Capital*	$ 2,326.81	$ 2,172.10	$ 154.71	$.....
58	*Total Cost of Gas Produced and Purchased*				
59	Excluding Federal Income and Excess Profits Taxes	$2,971,212.80	$2,352,522.14	$403,787.35	$214,903.31
60	Including Federal Income and Excess Profits Taxes	3,051,119.53	2,430,152.44	406,063.78	214,903.31

Line Number	Description (1)	Adjusted Book Cost Dec. 31, 1941 (2)	Adjusted Reserve Dec. 31, 1941 (3)	Net Adjusted Book Cost Dec. 31, 1941 (4)	Annual Depreciation or Depletion 1941 (5)	Return at 6½% Per Annum on Net Adjusted Book Cost Dec. 31, 1941 (6)
1	*Natural Gas Production Plant—Monroe Field*					
2	Natural Gas Acreage:					
3	Operated	$3,144,948.76	$527,236.60	$2,617,712.16	$ 90,128.53	$170,151.29
4	Unoperated	549,441.38	.....	549,441.38	.....	35,713.69
5	Total	3,694,390.14	527,236.60	3,167,153.54	90,128.53	205,864.98
6	Natural Gas Wells	1,269,459.42	175,491.45	1,093,967.97	37,665.61	71,107.92
7	Other Production Property:					
8	Other Land and Land Rights	15,083.88	.....	15,083.88	.....	980.45
9	Other Production System Structures	6,517.76	821.05	5,696.71	196.14	370.29
10	Field Line Rights-of-Way	25,867.52				
11	Field Lines, Construction and Equipment	1,126,161.87	163,632.50	1,101,508.87	37,925.28	71,598.08
12	Field Measuring and Regulating Station Structures	13,947.61				
13	Field Measuring and Regulating Station Equipment	99,164.37				
14	Total	1,286,743.01	164,453.55	1,122,289.46	38,121.42	72,948.82
15	Construction Overheads	54,880.84	9,612.97	45,267.87	1,558.59	2,942.41
16	Total Production Plant—Monroe Field	6,305,473.41	876,794.57	5,428,678.84	167,474.15	352,864.13
17	*Natural Gas Production Plant—University, La Pice and La Place Fields*					
18	Field Line Rights-of-Way	10,219.59				
19	Field Lines, Construction and Equipment	150,064.39				
20	Field Measuring and Regulating Station Strustures	646.21				
21	Field Measuring and Regulating Station Equipment	9,598.17				
22	Total Production Plant—University, La Pice and La Place Fields	170,528.36	9,227.88	161,300.48	4,872.40	10,484.53
23	Total Natural Gas Production Plant	6,476,001.77	886,022.45	5,589,979.32	172,346.55	363,348.66
24	*Natural Gas Transmission Plant—Main Line to Baton Rouge*					
25	Land	31,740.91		31,740.91	.....	2,063.16
26	Rights-of-Way	212,316.90	80,952.98	131,363.92	6,070.96	8,538.65
27	Pumping Station Structures	582,970.97	217,835.95	365,135.02	16,625.68	23,733.78
28	Measuring and Regulating Station Structures	22,779.73	3,657.86	19,121.87	650.49	1,242.92
29	Other Transmission System Structures	176,949.21	68,821.91	108,127.30	5,042.80	7,028.27
30	Mains	11,287,421.54	4,311,698.69	6,975,722.85	322,769.04	453,421.99
31	Pumping Station Equipment	1,613,552.99	558,246.26	1,055,306.73	46,414.05	68,594.93
32	Measuring and Regulating Station Equipment	53,129.60	9,711.79	43,417.81	1,524.77	2,822.16
33	Construction Overheads	120,081.83	41,206.21	78,875.62	3,334.3[illegible]	5,126.92
34	Total Transmission Plant—Main Line to Baton	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Line Number	Description (1)	Adjusted Book Cost Dec. 31, 1941 (2)	Adjusted Reserve Dec. 31, 1941 (3)	Net Adjusted Book Cost Dec. 31, 1941 (4)	Annual Depreciation or Depletion 1941 (5)	Return at 6½% Per Annum on Net Adjusted Book Cost Dec. 31, 1941 (6)
	Natural Gas Transmission Plant—Baton Rouge to Destrehan					
35	Rights-of-Way	$ 85.75	$ 34.48	$ 51.27	$ 2.45	$ 3.33
36	Mains	26,373.74	10,380.47	16,043.27	754.22	1,042.82
37	Measuring and Regulating Station Structures	2,455.75	442.02	2,013.73	67.53	130.89
38	Measuring and Regulating Station Equipment	9,347.99	2,158.04	7,189.95	297.32	467.35
39	Total Transmission Plant—Baton Rouge to Destrehan	38,263.23	12,965.01	25,298.22	1,121.52	1,644.39
40	*Natural Gas Transmission Plant—Jointly Owned*					
41	Rights-of-Way	45,374.77	1,936.46	43,438.31	1,292.66	2,823.49
42	Mains	419,247.68	17,485.74	401,761.94	11,972.62	26,114.52
43	Measuring and Regulating Station Structures	5,777.20	234.39	5,542.81	158.50	360.28
44	Measuring and Regulating Station Equipment	14,400.51	454.26	13,946.25	390.20	906.51
45	Other Transmission System Equipment	2,446.48	104.95	2,341.53	69.97	152.20
46	Communication Equipment (Part of General Plant)	21,272.97	889.92	20,383.05	597.06	1,324.90
47	Total Transmission Plant—Jointly Owned	508,519.61	21,105.72	487,413.89	14,481.01	31,681.90
48	Total Transmission Plant	14,647,726.52	5,326,202.38	9,321,524.14	418,134.66	605,899.07
49	*General Plant*					
50	Structures and Improvements	4,178.46	(342.50)	4,520.96	110.47	293.86
51	Office Furniture and Equipment	26,222.81	7,010.16	19,212.65	1,275.39	1,248.82
52	Transportation Equipment	55,017.71	27,772.24	27,245.47	15,270.03	1,770.96
53	Stores Equipment	3,925.72	1,673.16	2,252.56	219.20	146.42
54	Laboratory Equipment	345.20	207.02	138.18	13.81	8.98
55	Tools and Work Equipment	11,848.98	4,963.91	6,885.07	638.82	447.53
56	Communication Equipment (a)	132,585.17	77,609.57	54,975.60	5,540.83	3,573.41
57	Miscellaneous Equipment	26,729.16	(3,469.14)	30,198.30	1,243.71	1,962.89
58	Construction Overheads	2,575.67	1,284.45	1,291.22	103.03	83.93
59	Total General Plant	263,428.88	116,708.87	146,720.01	24,415.29	9,536.80
60	Total Plant in Service	21,387,157.17	6,328,933.70	15,058,823.47	614,896.50	978,784.53
61	*Construction Work in Progress*					
62	Production Plant—Monroe Field	120,140.79	.....	120,140.79	.....	7,809.15
63	Transmission Plant—Jointly Owned	58,409.58	.....	58,409.58	.....	3,796.62
64	Total Construction Work in Progress	$178,550.37	.....	$178,550.37	.....	$11,605.77

COPY OF STIPULATION AND PLAN FOR NATURAL GAS PIPE LINE TO THE ST. LOUIS DISTRICT, DATED JUNE 26, 1928, AND SUPPLEMENTED BY PRODUCERS GROUP AGREEMENT, DATED DECEMBER 17, 1928.

Federal Power Commission. Docket No. G-132 et al. Hearing Ex. No. 89. 6/23/42.

Federal Power Commission. Docket No. ..... Exhibit No. 89 (for Identification). Date Identified 6/23/42.

Plan for Natural Gas Pipe Line to the St. Louis District, June 26, 1928.

1. Parties to the plan:

Standard Oil Co., a New Jersey corporation, hereinafter sometimes called "Standard."

Columbian Carbon Co., a Delaware corporation, and/or affiliated interests, hereinafter sometimes called "Columbian."

United Carbon Co., a Delaware corporation, hereinafter sometimes called "United."

Electric Power & Light Corporation, a Maine corporation, and/or affiliated interests, hereinafter sometimes called "Electric."

Moody Seagraves Co., a Texas corporation, and/or affiliated interests, hereinafter sometimes called "Moody Seagraves."

The parties are sometimes hereinafter referred to collectively as "Syndicate" or "Members of the syndicate."

2. Members of the syndicate (other than the Standard and/or its associated companies) severally have acquired certain lands, leases, and gas-purchase contracts in the Monroe or Richland gas fields in the State of Louisiana, and the Standard or some company designated by it for the purpose, has acquired or will acquire certain lands, leases, and gas-purchase contract in said fields which in the aggregate are believed to furnish ample reserves to insure a supply of gas for the market hereinafter referred to, and the parties desire to cooperate with each other in the construction and operation of the pipe line to said market and the furnishing of natural gas for the entire requirement of said pipe line.

The approximate acreage owned or leased by each party (other than the Standard) and/or its associated companies, and the approximate acreage which the Standard will cause companies designated by it to own or lease within each of said fields is as follows:

Company	Monroe Field	Richland Field
Standard	52,000	8,000
Columbian	54,000	8,000
United	22,000	3,000
Electric	43,000	4,000
Moody Seagraves	8,000	20,000

3. Certain of the parties have heretofore caused to be organized under the laws of Delaware, a corporation known as Mississippi Valley Gas Corporation, for the purpose of constructing, owning, and operating a pipe line to the St. Louis district.

Said corporation is hereinafter sometimes referred to as "the pipe line corporation."

4. The parties will participate in the financing of the pipe line corporation and the ownership of the initial capital stock of said corporation in the following proportion:

	Percent
Standard	25
Columbian	19
United	15
Electric	18
Moody Seagraves	23

Any subsequent issues of capital stock of the pipe line corporation (except such stock, if any, as may be issued pursuant to warrants or subscription rights attached to or contained in bonds) shall first be offered pro rata to the stockholders of such corporation at the time of such issue. If any stockholder declines to take all or any part of his pro-rata participation in such stock, the amount not taken by such stockholders shall be offered to the other stockholders ratably before it is otherwise disposed of.

The pipe line corporation shall have not less than five (5) directors elected by the stockholders, and provisions for cumulative voting shall be maintained.

Each member of the syndicate shall have the right to designate a representative of the board of directors of the pipe line corporation to serve until the next annual stockholders' meeting thereof.

The parties have agreed that Palmer Corporation of Louisiana shall be invited to become a member of the syndicate with a ten percent (10%) participation in said financing and ownership of stock. In case said Palmer

Corporation shall accept such membership and participation, the percentages of the parties above named shall be reduced pro rata, so that in such case the revised percentages shall be—

	Percent
Standard	22.5
Columbian	17.1
United	13.5
Electric	16.2
Moody Seagraves	20.7
Palmer	10.0

In case said Palmer Corporation shall become a member of the syndicate, the number of directors of the pipe-line corporation shall be not less than six (6), and said Palmer Corporation shall have the right to designate one director, as above provided.

5. The syndicate shall cause the pipe-line corporation to enter into contracts and supplemental contracts with the members of the syndicate, respectively, or their respective nominees, to furnish to the pipe-line corporation such natural gas as may be required by the pipe-line corporation, which said contracts shall be substantially in the forms hereto annexed and marked "Exhibits A and B."

The percentages of the total requirements of said pipe line to be supplied by the respective members of the syndicate, or nominees, from the acreage above referred to, shall be as follows:

	Percent
Standard	22
Columbian	21
United	17
Electric	20
Moody Seagraves	10

The Palmer Corporation of Louisiana, if it becomes a member of the syndicate, is to be offered the right to supply the remaining ten percent (10%) of the requirements of said pipe line, upon the same terms and conditions as are set forth in said exhibits A and B. If said Palmer Corporation shall not accept said offer, said remaining ten percent (10%) is to be supplied from such sources as the pipe-line corporation may hereafter determine.

6. All expenses incurred after June 21, 1928, in respect of such pipe-line project shall be borne by the members of the syndicate in the same respective percentages as are hereinbefore provided with reference to the ownership of stock in the pipe-line corporation. If the construction of such pipe line shall be financed, the respective parties shall be repaid for said expenses out of the proceeds of such financing.

7. The parties agree in principle upon the plan of proceeding immediately to solicit contracts for the supply of natural gas to industrial consumers in the St. Louis district, and particularly in East St. Louis, Granite City, and the adjoining industrial area lying east of the Mississippi River. For this purpose it is contemplated Standard will supply the services of several gas salesmen and engineers from its subsidiary gas corporations, and Moody Seagraves will supply the services of certain of its engineers. The salary and expenses of such gas salesmen and engineers, while engaged upon the St. Louis project, and the retainer and expenses of such attorneys as may be employed in connection with such project, shall be borne by the members of the syndicate in the proportions set forth in paragraph numbered 6 hereof.

8. The parties further agree in principle that Electric and/or its subsidiary or affiliated corporations supplying electricity and/or artificial gas in cities and towns in Arkansas and western Tennessee shall be accorded the first opportunity to purchase gas from the pipe line for distribution and/or use in such cities and towns, upon as favorable terms as said pipe-line corporation is willing to grant to any other individual, firm, or corporation in such cities or towns.

9. Subject to the provisions of this agreement, members of the syndicate agree to be bound by the action of a majority of the whole number of the board of directors of the pipe-line corporation, provided that such majority shall include the director designated by Standard, as to the following matters:

(a) The prices and terms of proposed contracts for the sale of gas;

(b) The decision as to whether and when contracts shall have been obtained for the sale of a sufficient volume of gas to justify proceeding with the construction of said pipe line;

(c) The financial structure of the pipe-line corporation, including the procuring of funds for the construction of said pipe line and other corporate purposes, by means of corporate loans, issue of bonds, and/or sale of stock of said corporation;

(d) The organization, financial structure, and financing of any other corporation or corporations for the purpose of distributing said gas;

(e) The purchase of pipe and other materials, acquisition of right-of-way, and letting of contracts for construction of said pipe line;

(f) All other matters necessary or proper for the consummation of said project of constructing a natural-gas pipe line from the Monroe and Richland fields to the St. Louis district, whether or not the same are of the kind above specifically enumerated.

10. The term of this agreement shall be until December 31, 1928, unless prior to said date the syndicate shall have definitely decided to proceed with the actual construction of said pipe line, or shall have decided by unanimous consent to abandon said project and terminate this agreement. Until this agreement shall expire by limitation or be terminated by unanimous consent, each member of the syndicate agrees to use his best endeavor for the successful acomplishment of said project.

In witness whereof the parties hereto have caused these presents to be signed, sealed, attested, and delivered as of the 28th day of June 1928.

(Seal) STANDARD OIL CO.,
By S. B. HUNT.

Attest:
C. T. WHITE,
Secretary.

(Seal) COLUMBIAN CARBON CO.,
By EDWIN BINNEY,
Vice President.

Attest:
REID L. CARR,
Secretary.

(Seal) UNITED CARBON CO.,
By OSCAR NELSON,
President.

Attest:
G. A. WILLIAMS,
Secretary.

(Seal) ELECTRIC POWER & LIGHT CORPORATION,
By E. W. HILL,
Vice President.

Attest:
E. P. SUMMERSON,
Secretary.

(Seal) MOODY SEAGRAVES CO.,
By O. R. SEAGRAVES,
Vice President.

Attest:
WARREN J. DALE,
Assistant Secretary.

We hereby accept membership in the syndicate as provided in the above agreement.

PALMER CORPORATION OF LOUISIANA,
By N. C. McGOWEN,
Vice President.

Attest:

.....
Secretary.

Syndicate or Producers' Group and Mississippi River Fuel Corporation, December 17, 1928.

This agreement, made the 17th day of December 1928 between Standard Oil Co., a New Jersey corporation, hereinafter called "Standard"; Columbian Carbon Co., a Delaware corporation, and/or affiliated interests hereinafter called "Columbian"; United Carbon Co., a Delaware corporation, hereinafter called "United"; Electric Power & Light Corporation, a Maine corporation, and/or affiliated interests, hereinafter called "Electric"; Moody Seagraves Co., a Texas corporation, and/or affiliated interests, hereinafter called "Moody Seagraves"; and Palmer Corporation of Louisiana, a Delaware corporation, hereinafter called "Palmer" (said parties being hereafter sometimes referred to collectively as the "syndicate" or "members of the syndicate"); and Mississippi River Fuel Corporation, a Delaware corporation, hereinafter referred to as the "corporation", witnesseth:

Recitals.

1. The five parties first above named entered into a certain plan or preliminary agreement dated June 26, 1928, looking toward the construction of a natural-gas pipe line from the Monroe and Richland gas fields in the State of Louisiana to the St. Louis district, which said plan or agreement is hereinafter referred to as the "St. Louis plan." Pursuant to paragraph 4 of said St. Louis Plan, said parties have invited Palmer to become a member of the syndicate with a ten percent (10%) participation and Palmer has accepted such membership and participation.

2. The corporation has obtained contracts for the sale of natural gas to industrial consumers in the St. Louis

district (including East St. Louis, Granite City, and Alton, Ill.), to an aggregate volume estimated at a minimum of 27,000,000 and a maximum of 40,000,000 cubic feet per day; and the members of the syndicate have decided that said contracts are sufficient to justify the construction of said pipe line.

3. The members of the syndicate believe that it is more advantageous to the project to postpone decision as to the financial structure of the corporation and the issue and sale of bonds to the public, until said project is further advanced, and meanwhile to provide the funds necessary to carry the construction of said pipe line to partial completion.

Now, in consideration of the premises, and of the mutual promises and agreements herein contained, it is agreed:

1. The corporation hereby agrees to construct said pipe line from the Monroe and Richland gas fields to the St. Louis district, and the members of the syndicate severally agree to participate in the financing thereof in the manner and to the extent hereinafter stated and in the supply of gas thereto, all upon the terms and conditions more particularly set forth in paragraphs numbered 2 to 9 of the St. Louis plan, which are hereby made a part of this agreement.

2. The members of the syndicate severally agree, each for itself and not for any other or others, upon the terms and conditions hereinafter stated to advance to the corporation such amounts as the corporation may require for the construction of said pipe line and/or working capital up to but not exceeding the amounts hereinafter set forth, viz:

Standard	$2,250,000
Columbian	1,710,000
United	1,350,000
Electric	1,620,000
Moody Seagraves	2,070,000
Palmer	1,000,000
Total	$10,000,000

Such advances shall be made pro rata in cash at such dates and in such sums or installments as the board of directors of the corporation may from time to time require.

The corporation agrees to repay to the members of the syndicate said respective advances with interest at the rate of six percent (6%) per annum as aforesaid on the 1st day of January 1930, provided that the corporation shall have the right at its option at any time or from time to time prior to said date to repay all or any part of said advances, with interest to the date of payment, in cash and/or by the issue to the respective members of the syndicate of the common and/or preferred stock of the corporation at par, or, if said stock shall be without nominal or par value, then at such price as shall be determined by the board of directors of the corporation.

Any repayment of said advances whether in cash or stock shall be made to the members of the syndicate pro rata in accordance with the amounts respectively advanced by them.

3. If any member of the syndicate shall make default in the payment of any installment or sum to the corporation on the date when the same shall be pay-

able as hereinbefore provided, and such default shall continue for thirty (30) days after notice and demand by the corporation, the corporation may thereupon at its option terminate all further rights of said members under this agreement and/or the St. Louis plan, including all right to participate further in financing the corporation and all right of said member and/or its nominees, to furnish gas to said corporation.

In the event of such termination, the corporation shall on or before January 1, 1930, repay to such defaulting member the sum or sums actually advanced by such member to the corporation prior to such default with interest at six percent (6%) to the date of payment, or the corporation may at its option repay all or any part of such sum or sums with interest as aforesaid by the issue to such member of its common and/or preferred stock, taking the same at par, or if the same shall be without nominal or par value, then at such price as shall be determined by the board of directors of the corporation. The foregoing rights of the corporation shall be cumulative and in addition to any rights or remedies to which the corporation or any other party may be entitled by reason of the default of such member.

4. Upon such termination, the balance of said defaulting member's participation in the financing of the corporation shall be assumed by the other members of the syndicate pro rata in accordance with their revised percentages in said financing as specified in paragraph 4 of the St. Louis plan; and the input of gas to which such member except for such default would have been entitled under paragraph 5 of said St. Louis plan, shall be divided among the other members pro rata in accordance with their respective percentages as specified in said paragraph 5 of said plan.

In witness whereof, the parties have caused these presents to be signed, sealed, attested, and delivered as of the 17th day of December 1928.

(Seal) STANDARD OIL CO.,
By J. A. MOFFETT,
Vice President.

Attest:
C. T. WHITE,
Secretary.

(Seal) COLUMBIAN CARBON CO.,
By EDWIN BINNEY,
Vice President.

Attest:
REID L. CARR,
Secretary.

(Seal) UNITED CARBON CO.,
By OSCAR NELSON,
President.

Attest:
G. A. WILLIAMS,
Secretary.

(Seal) ELECTRIC POWER & LIGHT CORPORATION,
By E. W. HILL,
Vice President.

Attest:
E. P. SOMMERSON,
Secretary.

(Seal) MOODY SEAGRAVES CO.,
By O. R. SEAGRAVES,
Vice President.

Attest:
N. W. HUNTER,
Assistant Secretary.

(Seal) PALMER CORPORATION OF LOUISIANA,
By H. L. HOLLIS,
President.

Attest:
E. J. McGOWEN, JR.,
Secretary.

(Seal) MISSISSIPPI RIVER FUEL CORPORATION,
By CHRISTY PAYNE,
President.

Attest:
REID L. CARR,
Secretary.

United States District Court for the Eastern District of Louisiana, Baton Rouge Division.

Interstate Natural Gas Company, Incorporated,

vs.

Louisiana Public Service Commission, Wade O. Martin, Chairman; James P. O'Connor, Commissioner; John S. Patton, Commissioner.

Civil Action File No. .....

Federal Power Commission. Docket No. G-132 et al. Hearing Ex. No. 90. 7/1/42.

To the Honorable, the United States District Court for the Eastern District of Louisiana, Baton Rouge Division, and the Honorable Wayne G. Borah, Judge of said Court:

Petitioner, Interstate Natural Gas Company, Incorporated, complains of the defendants, Louisiana Public Service Commission, Wade O. Martin, Chairman, James P. O'Connor, Commissioner, and John S. Patton, Commissioner, and respectfully shows to the Court:

I.

Petitioner is a corporation created, organized and existing under the laws of the State of Delaware, with its domicile in the city of Wilmington, in said state, and is a citizen of said state.

II.

Defendant, Louisiana Public Service Commission, is a commission created by the Constitution of the State of Louisiana, adopted in 1921, particularly by Section 3 of

Article VI thereof, with its domicile in the State Capital in the City of Baton Rouge, East Baton Rouge Parish, Louisiana, and that the defendants, Wade O. Martin, Chairman, a resident of St. Martin Parish, Louisiana, James P. O'Connor, Commissioner, a resident of Orleans Parish, Louisiana, and John S. Patton, Commissioner, a resident of Claiborne Parish, Louisiana, all of whom are citizens of the State of Louisiana, are the present duly elected and qualified members of said Commission, and, in their official capacities as aforesaid, are officially domiciled in East Baton Rouge Parish, Louisiana, and that Baton Rouge, Louisiana, is within the Eastern District of Louisiana.

III.

This is a suit of a civil nature between citizens of different states and also arises under the Constitution and laws of the United States and that the matter in controversy, exclusive of interest and costs, exceeds the sum or value of three thousand dollars ($3,000).

IV.

That under date of June 14, 1937, the Louisiana Public Service Commission in case entitled Louisiana Public Service Commission vs. Interstate Natural Gas Company, Incorporated, No. 2720, on the docket of said Commission, issued its order, directing Interstate Natural Gas Company, Incorporated, to show cause why its rates, charges and practices for gas service within the state of Louisiana should not be investigated, revised, modified, and/or reduced in such manner as the Commission may find appropriate, and, in said order, further ordered, commanded and required Interstate Natural Gas Company, Incorporated, in the meantime to place at the

disposal of the Commission's representatives, its books, records, vouchers, reports and papers, and to permit full and free access to its plant, property and facilities, pertaining to and used in the rendition of such gas service within the state of Louisiana, and for such further order or orders as the Commission might determine necessary in the premises, all of which will more fully appear by reference to a certified copy of said order, addressed to Interstate Natural Gas Company, Incorporated, which is attached to and made a part hereof and marked Exhibit A for identification.

V.

Petitioner further shows that, under date of June 25, 1937, it appeared in said cause for the limited purpose of excepting to the jurisdiction of the Louisiana Public Service Commission on the grounds that:

(a) Interstate Natural Gas Company, Incorporated, is not a common carrier pipe line;

(b) Interstate Natural Gas Company, Incorporated, conducts its business as a private enterprise; that its business is of a private nature, not affected with a public interest, and that it is in no sense a public utility or public service corporation;

(c) That 99 2/3% of the gas sold by Interstate Natural Gas Company, Incorporated, is sold in interstate commerce, and that the other 1/3 of 1% is sold and delivered at wholesale at taps on its pipe line to local distributing companies; all of which will more fully appear by reference to a certified copy of said exception, which is attached to and made a part hereof and marked Exhibit B for identification.

VI.

Petitioner further shows that the trial of said exception was by the Commission set for November 28, 1938, and, on said date, the same was taken up, tried and evidence adduced; that, at said hearing, your petitioner offered and filed copies of all of the contracts under which it was then selling natural gas to distributing companies and municipal corporations; that thereupon the Commission requested that petitioner produce and deliver to the Commission copies of its industrial sales contracts, copies of contracts with reference to the sale of gas in the Monroe field to the pipe line companies, and copies of other documents and information which had theretofore been filed by your petitioner with the Federal Power Commission in response to the questionnaire which had been issued by the Federal Power Commission to petitioner, and that, subsequently on or about December 23, 1938, copies of said contracts and other documents and information were produced by your petitioner and delivered to the Commission. That upon the trial of said exception, your petitioner also produced and filed a copy of its articles of incorporation, a list of its stockholders, a map showing the extent and location of its pipe line system, showing among other things delivery points covered by the aforesaid contracts and offered oral testimony showing in detail the method in which petitioner transported, sold and delivered the gas which was marketed under the terms and provisions of the aforesaid contracts and showing further that no relations existed between your petitioner and the aforesaid purchasers of gas other than the relations created by the aforesaid contracts and that there was no affiliation or inter-relation between your petitioner and its aforesaid customers through common ownership of stock, interlocking of directors, officers, or managers, or otherwise,

save for the fact that the capital stock of the Standard Oil Company of Louisiana, one of your petitioner's industrial customers, was owned by the Standard Oil Company (incorporated in New Jersey), which in turn owns approximately 54% of the capital stock of petitioner; that on January 19, 1939, the exception was argued and submitted to the Commission, and on February 1, 1939, an opinion and order were rendered and handed down by the Commission, overruling petitioner's plea to the jurisdiction of the Commission and ordering "that Interstate Natural Gas Company, Incorporated, give this Commission and its representatives access to its property, books, and records for the purpose of determining fair and reasonable rates and charges for gas transported or sold in intrastate commerce in Louisiana," all of which will more fully appear from said opinion and order, a copy of which is attached hereto and marked Exhibit C for identification.

That pursuant to sub-section L of the rules of the Louisiana Public Service Commission, then in force, which reads as follows:

"(1) *Petition; Filing, Service:* An application for further hearing in a proceeding before final submission, for reopening a proceeding after final submission, or for rehearing, reargument, or reconsideration after decision, must be made by petition, stating specifically the grounds relied upon, filed with the Commission and served by the Commission upon all parties or attorneys who appeared at the hearing, or oral argument if had, or on brief";

your petitioner did, on February 9, 1939, file with the Louisiana Public Service Commission in said cause a petition for a rehearing, a certified copy of which is

annexed hereto and made part hereof marked Exhibit D for identification; that oral argument in support of said petition was heard by the Commission on March 6, 1939, and by the Commission taken under advisement, and that under date of May 25, 1939, handed down its opinion and order bearing No. 2217 denying petitioner's application for a rehearing and reaffirming the order of the Commission previously entered on February 1, 1939, all of which will more fully appear from a copy of said opinion and order which is attached to and made a part hereof and marked Exhibit D-1 for identification; that the rules of the Louisiana Public Service Commission now in effect, sub-section M provide:

"(1) The orders of the Commission shall become effective at such time as may be fixed by the Commission, and where not otherwise fixed, ten calendar days from the date of service thereof, unless application for rehearing be filed; in which event the effective date shall be five days after the rehearing is denied or the rehearing, if granted, is finally disposed of, unless the Commission therein fixes a subsequent date."

VII.

Petitioner further avers that it is not a common carrier pipe line, is not a public utility, and is engaged almost exclusively in interstate commerce; that the Louisiana Public Service Commission is without any right, authority or jurisdiction whatsoever to conduct any investigation for the purpose of fixing, regulating or determining the rates charged or to be charged or services to be rendered by petitioner and that the attempt now being made by the Commission to do so is an illegal and unwarranted usurpation of powers and authority, contrary to the Constitution and laws of the United States,

and the Constitution and laws of the State of Louisiana, for the reasons hereinafter set out.

VIII.

Petitioner further shows that it was incorporated under the laws of Delaware, on April 1, 1926, and that, eliminating incidental powers, the charter powers of the company, as so granted, are:

"To search for, mine, bore, dig for, produce, refine, manufacture, treat, compress, blend, use, store, prepare for market, contract for, purchase or otherwise acquire, sell, exchange and generally to deal in natural and artificial gas, petroleum and other oils, coal, sulphur, lignite and other minerals and mineral substances, and all kinds of products and by-products thereof, including natural gas-gasoline and casing head gasoline, and all implements and materials used in the production, manufacture, storage, transportation, and sale of said gas, oil and/or minerals and products and/or byproducts thereof.

"To lay, maintain, own, lease or otherwise acquire, and operate such pipe line or lines as may be necessary or convenient for the transportation and delivery of natural and/or artificial gas and/or oil purchased, produced or sold by the corporation.

"To erect, build, install, construct, purchase, or otherwise acquire, lease, own, possess, operate, maintain and/or contract and deal with respect to all power and gasoline plants; compressing and pumping stations, and/or boosters, and/or all water, telephone, telegraph and/or electric transmission lines, rights of way, easements, privileges, and/or other interests in lands or

property necessary or desirable in connection with the laying, building, installing, constructing, owning, leasing, acquiring, operating, and/or maintaining, of said pipe lines, and/or the business of dealing in natural and artificial gas, petroleum and other oil, minerals and mineral substances as herein provided."

* * *

"Provided that nothing herein shall be construed to authorize the corporation to transport natural gas for others as a carrier for hire or to sell natural gas for others as a carrier for hire, or to sell natural gas except by special contract, or to constitute the corporation a common purchaser of natural gas or a public utility corporation;"

all of which will more fully appear from a certified copy of petitioner's Articles of Incorporation, which is attached to and made a part hereof and marked Exhibit E for identification.

IX.

Petitioner further shows that subsequent to its incorporation, as set out in the next preceding paragraph, it filed a certified copy of its charter with the Secretary of State of the State of Louisiana, designated a Louisiana agent for the service of process, and otherwise qualified to do business in Louisiana as a foreign, private corporation consistent with its charter powers, as will appear from certificate of the Secretary of State of the State of Louisiana annexed hereto and made a part hereof and marked Exhibit F for identification.

X.

Petitioner further shows that it has at no time exercised the powers of eminent domain; that it has never

applied for nor received any special franchises or privileges at the hands of the State of Louisiana or any of its political subdivisions, or by any other governmental agency, national, state or local; that it is not a common carrier pipe line, nor has it ever at any time done business or held itself out as willing to do business as a common carrier pipe line; that it has never held itself out as a public utility or as being willing to transport gas for or sell gas to the public at large or to whomsoever might desire to purchase it; that, other than its own gas which it transports and markets from its main line, it transports gas for one concern under a strictly private contract; that all gas sold and marketed by your petitioner is sold under strictly private contracts, negotiated with its various customers at arm's length and that deliveries of such gas are made from its main line and at points in the producing field.

XI.

(a) Petitioner further shows that on or about November 1, 1926, it entered into a contract with the Standard Oil Company of Louisiana, providing for the sale and delivery by petitioner to the Standard Oil Company of Louisiana at its plant located in North Baton Rouge, Louisiana, natural gas for fuel for the refinery of Standard Oil Company of Louisiana; that thereafter and from time to time, petitioner negotiated other private contracts with other industries with reference to the sale of gas to such industries for fuel from the main line of your petitioner; and likewise entered into certain contracts with various corporations, companies and municipalities for the sale by your petitioner to such corporations, companies and municipalities of natural gas at wholesale, which gas was and is delivered by your petitioner at taps on its main line and is thereafter trans-

ported, sold and distributed by the aforesaid customers through distribution systems owned by said customers respectively.

(b) That except as hereafter stated, no relations existed or now exist between your petitioner and the aforesaid purchasers of gas other than the relations created by the aforesaid contracts, and that there is not now and never has been any affiliation or inter-relation between your petitioner and its aforesaid customers through common ownership of stock, interlocking of directors, officers or managers or otherwise; that the capital stock of the Standard Oil Company of Louisiana, one of your petitioner's industrial customers, is owned by the Standard Oil Company (incorporated in New Jersey) which in turn owns approximately 54% of the capital stock of your petitioner.

XII.

Petitioner owns gas rights and leasehold mineral rights in and on approximately 50,000 acres of land in the Monroe Gas Field, upon which petitioner now operates approximately eighty-six (86) producing gas wells; that petitioner is continuously engaged in the drililng of additional wells for the production of gas; that from the aforesaid wells and by the purchase of gas from others, your petitioner acquires an average of approximately 125,929,000 cubic feet of gas per day, part of which is sold and delivered by petitioner in the Monroe Gas Field to six other interstate pipe line companies, as will be hereafter more fully set forth, and petitioner likewise owns and operates an interstate pipe line extending approximately 171.61 miles, originating at Fowler in Ouachita Parish, Louisiana, extending thence in a southeasterly direction a distance of approximately 91.17 miles

to the Mississippi River; thence across the Mississippi River into the State of Mississippi at a point approximately three miles below the City of Natchez, Mississippi; thence continuing in a southeasterly direction through the State of Mississippi for a distance of 43.92 miles to the southerly boundary of the State of Mississippi where said pipe line reenters the State of Louisiana; thence continuing in a southerly direction in the State of Louisiana for a distance of approximately 36.52 miles to North Baton Rouge, Louisiana, and in conjunction with said pipe line owns and operates two large compressor stations, one located at Fowler in Ouachita Parish, Louisiana, and the other at Ferriday in Concordia Parish, Louisiana, which furnish the motive power for the transmission of gas in interstate commerce through said pipe line; all as shown by the map hereto attached and made part hereof and marked Exhibit G for identification, and that from said pipe line Interstate Natural Gas Company, Incorporated, sells and delivers gas to distributing companies, municipal corporations and industrial consumers, as will be hereafter more fully set forth; that the pipe line of United Gas Pipe Line Company (formerly Southern Gas & Fuel Company) connects with the main pipe line of your petitioner, near Scotland, Louisiana, and extends thence in a southeasterly direction to a point at or near the city limits of the city of New Orleans, Louisiana; that United Gas Pipe Line Company transports gas for your petitioner through the aforesaid pipe line under a private contract between petitioner and said company and that your petitioner sells and delivers gas from said pipe line to certain distributing companies, municipal corporations and industrial consumers, as will be hereinafter more fully set forth.

XIII.

Your petitioner further shows that the gas transported, marketed and sold by your petitioner is divided into six general types or classifications, to-wit:

(a) Gas sold and delivered by your petitioner at wholesale to the following purchasers, namely:

1. Mississippi River Fuel Corporation—which gas is sold and delivered to the aforesaid purchaser at its compressor station site located in Ouachita Parish, Louisiana;

2. Southern Natural Gas Company—which gas is sold and delivered to the aforesaid purchaser at its compressor station site located in Ouachita Parish, Louisiana;

3. United Gas Public Service Company and its assignee, United Gas Pipe Line Company, for the amount of Memphis Natural Gas Company, which gas is delivered by your petitioner to Memphis Natural Gas Company at its compressor station site located in Ouachita Parish, Louisiana;

4. Arkansas-Louisiana Gas Company (successor to Arkansas-Louisiana Pipe Line Company)—which gas is delivered to the aforesaid purchaser at its compressor station site located in Ouachita Parish, Louisiana;

5. United Gas Pipe Line Company, as assignee of United Gas Public Service Company (assignee of Dixie Gulf Gas Company)—which gas is delivered to the aforesaid purchaser at the compressor station site of Arkansas-Louisiana Gas Company located in Ouachita Parish, Louisiana;

6. United Gas Pipe Line Company, as assignee of United Gas Public Service Company,—which gas is delivered to the aforesaid purchaser at the compressor station site of your petitioner at Fowler, in Ouachita Parish, Louisiana;

that all of the aforesaid gas is sold and delivered by your petitioner pursuant to the terms and provisions of certain contracts entered into between your petitioner and the aforesaid purchasers and their assignors, which contracts provide for and contemplate that said gas shall be sold and delivered as a part of and in furtherance of the interstate activity of said purchasers and of petitioner; that said gas is produced by petitioner, transported, marketed and delivered in interstate commerce; that the same moves in a constant uninterrupted, and continuous flow from the mouths of the wells from which it is produced through pipe lines belonging to your petitioner to the compressor stations, above set forth, thence without any interruption or without at any time ever coming to rest into and through the aforesaid compressor stations and through and into states other than the state of Louisiana; that said gas is purchased by the aforesaid purchasers for the purpose of being transported out of the State of Louisiana and into and through other states, and that said gas is so destined from the moment of its production, and that none of said gas is produced for or is at any time sold or used in local consumption or intrastate commerce; and that said sales of gas so made by your petitioner are transactions in interstate commerce.

(b) Gas sold and delivered by petitioner at wholesale taps located on its main pipe line between Fowler in Ouachita Parish, Louisiana, and Vidalia in Concordia Parish, Louisiana, to (1) distributing companies and

municipal corporations which in turn transport said gas from the aforesaid taps to the distribution systems belonging to them and whence it is sold by the distributing companies and municipal corporations to the consuming public, and (2) to three industrial customers near Ferriday, Louisiana.

(c) Gas sold and delivered by petitioner at wholesale at taps located on its main pipe line within the State of Mississippi to distributing companies and municipal corporations, which in turn transport said gas from the aforesaid taps to the distribution systems belonging to them from whence it is sold by the distributing companies and municipal corporations to the consuming public.

(d) Gas sold from petitioner's pipe line, after it reenters the State of Louisiana, said sales, in certain instances, being at wholesale to distributing companies and municipal corporations, the delivery thereof being made at taps located on the line of petitioner from which point the gas is transported by the distributing companies and municipal corporations to their respective distribution systems, and thence sold by them to the consuming public; and, in other instances, the gas is sold by petitioner and delivered from its main line to industrial consumers, who purchase said gas under private contracts entered into between petitioner and its aforesaid customers.

(e) Gas sold by petitioner to distributing companies and municipal corporations and industrial consumers in the same manner as is described in paragraph (d) above, except the delivery is made from the main line of the United Gas Pipe Line Company (formerly Southern Gas & Fuel Company), which connects with petitioner's line.

near Scotland, Louisiana, and thence extends in a southeasterly direction to a point at or near the city limits of the city of New Orleans, Louisiana, the gas sold and delivered by petitioner to the purchasers, as mentioned in this sub-paragraph (e) being transported by United Gas Pipe Line Company under a private contrct between said companies.

(f) Gas transported by petitioner for United Gas Pipe Line Company (formerly Southern Gas & Fuel Company) from the Monroe Gas Field through the states of Louisiana and Mississippi to petitioner's main pipe line near Scotland, Louisiana, where it is delivered into the pipe line of the United Gas Pipe Line Company, said transportation being done pursuant to a private contract between petitioner and said company.

XIV.

Petitioner further shows that the gas sold and delivered by it, as set forth in sub-paragraphs (a), (c), (d) and (e) of the next preceding paragraph, constitutes approximately 99.83% of the total sales made by it and such sales are all made as a part of and in furtherance of the interstate commerce in which petitioner is engaged; and that the transportation of gas for United Gas Pipe Line Company, as set out in sub-paragraph (f) of paragraph XIII above, is in interstate transportation.

XV.

Your petitioner further shows that because of the fact that it is not a common carrier pipe line or a public utility, and because of the further fact that approximately 99.83% of the gas sold by your petitioner is sold in interstate commerce, and all of the gas transported

for United Gas Pipe Line Company is transported in interstate commerce, the Louisiana Public Service Commission and the members thereof, defendants herein, are without any jurisdiction whatsoever, over your petitioner, to investigate, examine, regulate, control or otherwise supervise or in any manner interfere with the business being conducted by your petitioner; and that therefore, any attempt on the part of the Louisiana Public Service Commission to do any of the aforesaid acts, or to compel petitioner to submit to the examination now threatened and to make its property, books, papers and records available to the Commission, or its representatives, for that purpose is an illegal and unwarranted usurpation by the Commission of powers and authority not vested in it by the Constitution or laws of the state of Louisiana, or by the Constitution or laws of the United States, and such action on the part of the Commission constitutes unlawful invasion into your petitioner's affairs and a trespass upon the property and rights of your petitioner, all to the irreparable injury of your petitioner.

XVI.

(a) Your petitioner further shows that Act No. 20 of the Second Extra Session of the Louisiana Legislature for the year 1934 provides, among other things:

"Section 1. Be it enacted by the Legislature of Louisiana, That whenever the Louisiana Public Service Commission shall make an examination of the affairs of any public service or public utilities corporation doing business in this State, for the purpose of fixing and regulating the rates charged or to be charged or services to be rendered by such public service or public utilities corporation, all expenses incurred by the Louisiana Public Service Commission in conducting such examination, in-

cluding the expenses and fees of engineers, consultants, accountants or clerical assistants specially employed by said Commission to make the examination, shall be paid by the corporation so examined.

"Section 2. That the Louisiana Public Service Commission shall employ only such engineers, consultants, accountants or clerical assistants as are actually necessary to conduct the examination, whose compensation shall be fixed according to the time actually devoted to the work of conducting the examination and making their reports thereon, whether as witnesses before said Commission in open hearing, or by written report, under oath, as now required by law, which compensation shall always be reasonable and commensurate with the value of the services performed. That upon the completion of the examination, or while the same is in process, it shall be the duty of the Louisiana Public Service Commission to certify to the corportion being examined, the amount of expenses incurred as provided in this act, whereupon the corporation shall pay the amount so certified, to such person or persons thus employed; provided, however, that should the corporation deem the amount of the expenses so certified to be unreasonable or contrary to the provisions of this act, it may, within fifteen days after the receipt of such certificate, take a rule in a Court of competent jurisdiction against the Louisiana Public Service Commission, to test the reasonableness and legality under this Act, of the amount of expenses certified to by the Louisiana Public Service Commission, which rule shall be tried by preference, and upon appeal shall be given preference in the Appellate Court, as provided by law for other State cases.

"Section 3. That should any company fail or refuse to pay the amount of expenses of examination certified

to by the Louisiana Public Service Commission, after fifteen days from the receipt of such certificate, or after final judgment where a rule has been taken as provided herein, then the Louisiana Public Service Commission may revoke the certificate of authority of such company to do business until the full amount of same is paid.

"Section 4. That the provisions of this Act shall apply to all kinds of public service and public utilities corporations doing business in this State, or applying for admission to do business, whose rates or service is, in whole or in part, subject to the regulation of the Louisiana Public Service Commission."

(b) That your petitioner is informed and believes and so believing avers that prior to setting petitioner's plea to the jurisdiction for hearing, the Louisiana Public Service Commission entered into an agreement with one Mark Wolff to conduct an investigation into the business and affairs of your petitioner and upon information and belief avers that said agreement is evidenced by a letter addressed by Mark Wolff to the Louisiana Public Service Commission on or about November 2, 1938, which was accepted and agreed to by the Louisiana Public Service Commission on or about November 5, 1938, and that pursuant to the terms of such agreement, the Louisiana Public Service Commission has agreed to pay to Mark Wolff for conducting the investigation of your petitioner as aforesaid, the sum of $45,000 to be paid in five equal installments.

(c) That petitioner is informed and believes and on such information and belief avers that the Louisiana Public Service Commission has adopted a uniform practice of rendering statements at fixed intervals during an investigation for expenses alleged to have been in-

curred by it in such investigation and of demanding and requiring payment of said statements when and as rendered.

(d) That on March 8, 1939, notwithstanding the fact that the Louisiana Public Service Commission had not rendered any formal decision on petitioner's application for a rehearing, it attempted to take and assert jurisdiction over your petitioner in that it did on said date issue its certificate certifying to petitioner as a valid and legal charge against petitioner, a statement of bill rendered by Mark Wolff against Louisiana Public Service Commission for the sum of $9,000, purporting to be for services rendered and expenses incurred by the aforesaid Mark Wolff from September 14, 1938, to February 28, 1939, in connection with an investigation of Interstate Natural Gas Company, Incorporated, petitioner herein, resulting from the Louisiana Public Service Commission's citation of June 14, 1937, against petitioner in Cause No. 2720, and did by letter dated March 8, 1939, served on petitioner on March 9, 1939, demand of petitioner payment of said bill, all of which will more fully appear by reference to the statement or bill of Mark Wolff, dated March 1, 1939, certificate of the Louisiana Public Service Commission dated March 8, 1939, and letter of the Louisiana Public Service Commission dated March 8, 1939, which are attached hereto and made part hereof, marked Exhibits H-1, H-2 and H-3, respectively, for identification. That, as will appear from the record in the matter entitled: "Interstate Natural Gas Company, Incorporated v. Louisiana Public Service Commission, Wade O. Martin, Chairman; James P. O'Connor, Commissioner and John S. Patton, Commissioner," No. 27 of the Civil Docket of this Honorable Court, your petitioner, on March 22, 1939, filed its petition praying for an injunction against the Louisiana Public Service

Commission and the members thereof to prevent the collection of said bill and from further proceeding in said cause, and in connection therewith prayed for a temporary restraining order; that on the hearing of said application for a temporary restraining order on March 22, 1939, the Louisiana Public Service Commission withdrew, recalled and canceled the aforesaid bill and announced in open Court that it had not passed upon the petitioner's application for a rehearing or assumed jurisdiction of said cause, whereupon petitioner voluntarily took a non-suit in said cause without prejudice to any of its rights; and petitioner hereby refers to the record in said Cause No. 27 and makes the same part hereof by reference.

XVII.

(a) Petitioner further shows that the Louisiana Public Service Commission, at the trial of petitioner's plea to the jurisdiction of the Commission, did make such investigation of the business and affairs of petitioner as is necessary to determine whether or not petitioner is a common carrier pipe line or a public utility or is engaged in intrastate commerce subject to the jurisdiction of the Louisiana Public Service Commission, and that no further or additional investigation or examination by the Louisiana Public Service Commission is necessary for the purpose of properly determining those questions. Petitioner further shows that it verily fears and believes, and so believing avers, that the Louisiana Public Service Commission will proceed pursuant to its said order of February 1, 1939, with an examination of petitioner's property, books, records and papers for the purpose of determining and fixing rates and charges for gas transported and sold by your petitioner, and that the Louisiana Public Service Commission will certify to and de-

mand payment by petitioner of large amounts of money which your petitioner believes will aggregate not less than $45,000, all of which amount will in turn be paid by said Louisiana Public Service Commission to said Mark Wolff in accordance with the aforesaid agreement, and which amounts your petitioner will be unable to recover should it be ultimately held that Louisiana Public Service Commission is without jurisdiction to conduct said examination and determine and fix the rates and charges to be made by your petitioner for transportation and sale of natural gas, all of which the said Louisiana Public Service Commission is now threatening to do and which will constitute a taking of petitioner's property without due process of law, all to the irreparable injury of your petitioner.

(b) That by reason of the fact that petitioner is not a common carrier pipe line or a public utility, and is engaged almost exclusively in interstate commerce, the Commission has no power or jurisdiction either to examine petitioner's property, books, records or papers, or to fix or regulate the rates and charges for gas transported or sold by petitioner, the conducting of such further examination and the exaction of payment by petitioner of the cost and expense thereof is and would be illegal and in violation of the 14th Amendcent of the Constitution of the United States, in that such acts would deprive petitioner of its property without due process of law; and petitioner further shows that such examination and the exaction of payment by petitioner of the cost and expense of such examination would constitute a direct and substantial burden upon interstate commerce in violation of the commerce clause of the Constitution of the United States, namely, Clause 3 of Section 8 of Article I thereof.

XVIII.

Your petitioner avers that, in addition to the amounts which the Public Service Commission has agreed to pay to Mark Wolff, as aforesaid, and which has been and will be assessed to and demand of your petitioner under the statute hereinabove referred to, your petitioner, in order to prepare its case and place before the Louisiana Public Service Commission facts in support of its contention and in justification of its rates, will be compelled to employ valuation engineers for the purpose of appraising and valuing its physical assets, geologists and other experts for the purpose of establishing the extent and probable life of its mineral holdings and available source of supply of gas for the operation of its pipe line properties, expert accountants, engineers and other experts and thereby incur a large expense which your petitioner believes, and so believing, avers will be in excess of the sum of $3,000. That all of such expenditures will be irrecoverable, futile and unnecessary in the event it should ultimately be determined that the Louisiana Public Service Commission is without jurisdiction over your petitioner; That in addition to the foregoing, the examination of the property, books, records and other documents of your petitioner which the Louisiana Public Service Commission is now preparing to make will disrupt, hinder and impede the orderly conduct of your petitioner's business and affairs and will result in the loss of time and interference with the activities of the officials and employees of your petitioner and will demand the business of petitioner in the sum of many thousand dollars, all to the great inconvenience and damage of your petitioner, all of which are utterly futile and useless and will result in irreparable damage to your petitioner and will deprive petitioner of its property without due process of law, contrary to the Constitution of the United States.

XIX.

Petitioner further shows that in the event of its failure or refusal to pay any sums hereafter demanded of it, the Louisiana Public Service Commission may revoke the certificate of authority of petitioner to do business until the full amount so demanded is paid and the event of petitioner's failure or refusal to comply with the order of the Louisiana Public Service Commission, dated February 1, 1939, it will be subjected to the risk of severe fines and penalties which may be imposed by the Louisiana Public Service Commission at its discretion, and that unless the Louisiana Public Service Commission is restrained and enjoined as herein sought, your petitioner will be compelled to choose between compliance, at a large expense, or non-compliance with obvious risks of severe, recurring and cumulative penalties from which petitioner has no appeal and to stand by subjects petitioner to the further risk that the Commission will fix its rates and charges on the Commission's evidence alone.

XX.

Your petitioner further shows that it has no adequate remedy of law for its protection in the premises and is entitled to the issuance of a writ of injunction, enjoining, restraining and prohibiting the Louisiana Public Service Commission, the members thereof, and its agents, representatives and employees from collecting or attempting to collect from petitioner, and from certifying, assessing, demanding or attempting to collect any sums under Act No. 20 of the Second Extra Session of 1934, and from revoking or attempting to revoke petitioner's certificate to do business, and from further proceeding with the examination to which the Louisiana Public Service Commission is now threatening to make in said

cause bearing docket number 2720 on its docket, hereinabove referred to.

XXI

Your petitioner further shows that before this case can be heard on its merits, and the issues involved in this suit determined after a trial on the merits, it verily fears and believes and so believing avers that the Louisiana Public Service Commission and the members thereof will proceed with the examination of petitioner's property, books, records and other documents for the purpose of fixing and determining rates and charges to be made by petitioner for the transportation and sale of gas and will assess against and require payment by your petitioner of costs of making such investigation under the provisions of Act No. 20 of the Second Extra Session of the Louisiana Legislature for the year 1934, and upon petitioner's failure or refusal to pay such assessments, will revoke petitioner's certificate to do business; and that your petitioner will be compelled to proceed with the employment of valuation engineers, geologists, accountants and other experts and otherwise prepare for a hearing to fix and determine rates and charges, all at a great and useless expense and to the irreparable injury of your petitioner, and that, therefore, an interlocutory writ of injunction is necessary to preserve petitioner's rights until this matter can be finally determined.

XXII.

For the reasons hereinabove set forth, petitioner avers that it will suffer immediate, irreparable injury if the Louisiana Public Service Commission proceeds with its proposed investigation or its attempt to assess and col-

lect from petitioner the costs and expenses thereof or to revoke petitioner's certificate to do business, and that petitioner is entitled to a temporary restraining order restraining the Commission, the members thereof, its and their agents and representatives and other employees from taking and enforcing any further steps to carry out or enforce compliance with its order of February 1, 1939, and from collecting or attempting to collect from petitioner the costs and expenses of such investigation and from revoking petitioner's certificate to do business.

XXIII.

Your petitioner further shows that it has an actual controversy with the defendants herein with reference to the question of the jurisdiction of defendants over petitioner; that said defendants, Louisiana Public Service Commission and the members thereof, are without any jurisdiction, power or authority to investigate or in any manner revise, modify, reduce or regulate the business of petitioner or to assess against, or collect from, petitioner the costs and expenses of such investigation, and, accordingly, petitioner is entitled to a declaratory judgment under the provisions of Section 274(d) of the Judicial Code of the United States (28 U. S. C. A. 400) declaring that the Louisiana Public Service Commission and the members thereof are without any jurisdiction, power or authority to investigate or in any manner revise, modify, reduce or regulate the rates and charges made by your petitioner for the gas sold or service rendered by it, or to assess against, or collect from petitioner the costs and expense of such investigation.

Wherefore, the premises considered, and in view of the immediate, irreparable injury which is about to be

inflicted upon petitioner, petitioner prays that a restraining order issue at once enjoining the Louisiana Public Service Commission and the members thereof, its and their agents, representatives and other employees, from carrying out, enforcing or taking any steps to carry out or enforce compliance with its order issued February 1, 1939, hereinbefore referred to, and further enjoining the said Louisiana Public Service Commission and the members thereof from proceeding against petitioner in the proceeding instituted against petitioner herein, and from collecting, or attempting to collect from petitioner the costs and expenses of such investigation, and from revoking petitioner's certificate to do business.

Petitioner further prays that the Judge of this Honorable Court enter an order immediately calling to his assistance to hear and determine this application two other judges in connection with the provisions of the statutes of the United States in such cases made and provided; that an order be issued herein directed to the defendants, Louisiana Public Service Commission, Wade O. Martin, James P. O'Connor and John S. Patton, members thereof (and that the Governor of the State of Louisiana and the Attorney General of the State of Louisiana be notified thereof) to show cause before this Honorable Court as thereby constituted, at a time and place to be fixed by this Court, why an interlocutory or preliminary injunction should not issue herein, and that, on a hearing, petitioner be granted an interlocutory or preliminary injunction enjoining, prohibiting and restraining the defendants, their agents, representatives and other employees and all others having notice of said interlocutory or preliminary injunction and each of them, from carrying out or enforcing, or attempting to carry out or enforce the order of the Louisiana Public Service Commission, dated February 1, 1939, entered in cause No.

2720 on the docket of said Commission, and from collecting or attempting to collect the costs and expenses of such investigation, and from revoking petitioner's certificate to do business.

That proper process in due form issue herein to the defendants, Louisiana Public Service Commission, Wade O. Martin, Chairman, James P. O'Connor, and John S. Patton, members thereof, requiring them to appear and answer this petition, as provided for by law.

That the interlocutory or preliminary injunction be made permanent and that the defendants, Louisiana Public Service Commission, Wade O. Martin, Chairman, James P. O'Connor, and John S. Patton, members thereof, their agents, representatives and other employees, and all others having notice of said interlocutory injunction, be permanently enjoined and restrained from carrying out or enforcing or attempting to carry out or enforce, the orders of the Louisiana Public Service Commission, dated February 1, 1939, entered in cause No. 2720 on the docket of the Louisiana Public Service Commission, and from collecting or attempting to collect the costs and expenses of such investigation, and from revoking petitioner's certificate to do business, and from proceeding any further in said cause and from attempting to regulate and fix the rates and charges made by petitioner for the natural gas sold to its customers and transported by it.

Petitioner further prays that this Honorable Court render a declaratory judgment under the provisions of Section 274(d) of the Judicial Code of the United States (28 U. S. C. A. 400), declaring that the Louisiana Public Service Commission and the members thereof are without any jurisdiction, power or authority to investi-

gate or examine petitioner's property, books and records, or in any manner revise, modify, reduce or regulate the rates and charges made by your petitioner for the gas sold or for the service rendered by it.

That your petitioner have all such other and further relief, general and equitable, as the premises may require, good conscience permit, and this Court be competent to grant.

This is the first application for injunction or extraordinary relief in this cause.

SHOTWELL & BROWN,
Monroe, La.

DART & DART,
Attorneys for Petitioner.
New Orleans, La.

ALDEN T. SHOTWELL,
HENRY P. DART, JR.,
H. GRADY PRICE,
1822 Canal Bank Bldg.,
New Orleans, La.,
Of Counsel.

United States of America,
State of Louisiana,
Parish of Orleans.

Before Me, the undersigned authority, personally came and appeared: Alden T. Shotwell, and Henry P. Dart, Jr., who being duly sworn, depose and say: that they are attorneys and counsel for Interstat Natural Gas Company, Incorporated, petitioner in the foregoing petition; that they have read the petition and know the contents thereof; that the allegations of the petition are true and correct, except such as are therein stated on infor-

mation and belief and as to such matters they believe them to be true; that the reason this verification is made by them and not by petitioner is that petitioner is a foreign corporation, to-wit, a corporation of the state of Delaware, and that all of the officers of the said corporation are absent from the jurisdiction of the Court and that there are no persons other than deponents who are capable of verifying the petition.

ALDEN T. SHOWELL,
HARRY P. DART.

Sworn to and subscribed before me, notary, this 30th day of May, 1939.

JOHN DART,
Notary Public.

United States District Court for the Eastern District of Louisiana, Baton Rouge Division.

Interstate Natural Gas Company, Incorporated,

vs.

Louisiana Public Service Commission, Wade O. Martin, Chairman, James P. O'Connor, Commissioner, John S. Patton, Commissioner.

Civil Action File No. .....

Upon reading the verified petition of plaintiff herein, and it appearing from the facts shown by the verified petition that before notice can be served and a hearing had on plaintiff's application for an interlocutory or preliminary injunction herein or on plaintiff's application for a restraining order, immediate and irreparable injury, loss and damage will result to it, to-wit, that the Louisiana Public Service Commission, Wade O. Martin,

Chairman; James P. O'Connor and John S. Patton, members thereof, will proceed with the examination of petitioner's property, books, records and other documents; will incur large costs and expenses, which will in turn be assessed by the Louisiana Public Service Commission against petitioner; will enter upon the premises of petitioner and there interfere with and disrupt the orderly operation of petitioner's business and affairs, and petitioner will be compelled to employ valuation engineers, geologists, accountants and other experts for the purpose of preparing for the hearing now being threatened by the Louisiana Public Service Commission, at a large expense to petitioner, all of which costs and expenses will be irrecoverable, useless and futile should it be ultimately held that the Louisiana Public Service Commission has no jurisdiction, power or authority over petitioner to conduct the examination and regulation now being threatened; and further considering that the failure on the part of petitioner to pay any bill or statement hereafter certified to it by the said Commission will subject petitioner to the risk of having its certificate to do business revoked and further considering that the failure on the part of petitioner to submit to the examination and regulation now threatened by the Louisiana Public Service Commission will subject petitioner to the risk of severe, recurring and cumulative penalties from which petitioner has not appeal, and likewise subject petitioner to the risk of having its charges and rates fixed and determined upon the Commission's evidence alone;

Now, Therefore,

It Is Ordered, Adjudged And Decreed, that the defendants, Louisiana Public Service Commission, Wade O. Martin, Chairman, James P. O'Connor and John S.

Patton, members thereof, and each of them, and their respective successors in office, their agents, representatives, and other employees, and all persons, acting under their authority, be, and each of them, are hereby restrained and enjoined from carrying out and enforcing and attempting to carry out and enforce, the order of the Louisiana Public Service Commission, dated February 1, 1939, and from collecting or attempting to collect from petitioner the expenses of such investigation and from revoking petitioner's certificate to do business; and fro proceeding further in cause No. 2720 on the docket of the Louisiana Public Service Commission. This order shall become effective upon the giving of security by the plaintiff by filing a bond in the sum of ..... Dollars, conditioned upon the payment of such costs and damages as may be incurred or suffered by any party who may be found to have been wrongfully enjoined or restrained thereby.

This restraining order will remain in force only until hearing and determination of the application for an interlocutory or preliminary injunction herein and shall expire within ten days after entry, unless within said time it is extended for a like period for good cause shown.

It Is Further Ordered, that a copy of this order, together with a copy of the verified petition of plaintiff herein, be served upon each of the defendants; and

It Is Further Ordered, by this Court that the defendants named in the petition, to-wit, Louisiana Public Service Commission, Wade O. Martin, Chairman, James P. O'Connor and John S. Patton, members thereof, do show cause before this Honorable Court, on the .... day of ....., 1939, at the hour of .... o'clock, ... M.,

why an interlocutory or preliminary injunction should not issue as prayed for in said petition; and

It Is Further Ordered, that the Honorable Richard W. Leche, Governor of the State of Louisiana, and the Honorable David M. Ellison, Attorney General of the State of Louisiana, be notified of said hearing as the law directs.

And it appearing to the Court that said petition seeks an interlocutory or preliminary injunction restraining the Louisiana Public Service Commission, Wade O. Martin, Chairman, James P. O'Connor, and John S. Patton, members thereof, from carrying out or enforcing, or attempting to carry out or enforce, the order of the Louisiana Public Service Commission, dated February 1, 1939; and from collecting or attempting to collect from petitioner the costs and expenses of such investigation and from revoking petitioner's certificate to do business; and from proceeding further in cause No. 2720 on the docket of the Louisiana Public Service Commission, on the ground that the Louisiana Public Service Commission and the members thereof are without jurisdiction to conduct said examination or to fix and determine the rates and charges of petitioner for the transportation and sale of gas on the ground that said order and further procedure in said case would be in violation of the United States Constitution, I do hereby call to my assistance to hear and determine at the hour and on the date hereinabove fixed said application for an interlocutory or preliminary injunction in this cause, the Honorable ....., Judge of the Circuit Court of Appeals for the Fifth Circuit of the United States, and the Honorable ....., Judge of the District Court of the United States for the District of .....

This Order, done and signed at New Orleans, Louisiana, in the Eastern District of Louisiana, on this, the .... day of ..... A. D., 1939, at ....o'clock, ... M.

.....

Judge.

EXHIBIT 91.

United States District Court for the Eastern District of Louisiana, Baton Rouge Division.

Interstate Natural Gas Company, Incorporated,

vs.

Louisiana Public Service Commission, Wade O. Martin, Chairman, James P. O'Connor, Commissioner, John S. Patton, Commissioner.

Civil Action File No. 38.

Federal Power Commission. Docket No. G-132 et al. Hearing Ex. No. 91. 7/1/42.

State of New York,
County of New York.

Before Me, ..., a Notary Public in and for said County and State, personally came and appeared F. H. Lerch, Jr., of full age and a resident of Jackson Heights, New York, who, being by me first duly sworn, deposes and says:

1. For the sake of brevity, Interstate Natural Gas Company, Incorporated, shall be hereinafter referred to as Interstate; Standard Oil Company, a New Jersey corporation, as Standard of New Jersey; Standard Oil Company of Louisiana, a Louisiana corporation, as Standard

of Louisiana; and United Gas Public Service Company and its successor, United Gas Pipe Line Company, as United.

2. He is President of Interstate and has held said position since May 2, 1935. He was Vice-President from December 15, 1933 to May 2, 1935, and prior thereto, he was employed by Ford, Bacon & Davis, Inc., a corporation engaged, among other things, in the business of surveying, planning, engineering, constructing and operating industrial enterprises under contracts with the owners thereof. Upon the organization of Interstate, a management contract was entered into between it and Ford, Bacon & Davis, Inc., which provided, among other things, for the management by Ford, Bacon & Davis, Inc., of the properties, business and affairs of Interstate, which said management contract, by its own terms and by renewals thereof, remained in full force and effect until January 1, 1935. In order to carry out the provisions of said management contract, affiant, as an employee of Ford, Bacon & Davis, Inc., made frequent visits to Monroe, Louisiana, and, on or about December 1927, located in Monroe, Louisiana, where he remained until on or about December 1, 1933, and actively managed the properties, business and affairs of Interstate, and, in his capacity as resident manager aforesaid, and, subsequently thereto, as Vice-President and President of Interstate, he has been continuously in touch with all of the business, activities and physical properties of Interstate, frequently visiting the compressor stations and other facilities, and has on many occasions traversed on foot the pipe line of Interstate for the purpose of inspecting same; that he is thoroughly familiar with all of the properties of Interstate and the manner in which same are operated and its business conducted.

3. The properties and assets of Interstate consist, among other things, of the following:

(A) Gas rights under approximately 40,000 acres of land, situated in Union, Ouachita and Morehouse Parishes, Louisiana;

(B) Contracts for the purchase of large quantities of natural gas deliverable daily to Interstate into its gathering system in Monroe Gas Field.

(C) Numerous mineral leases on lands located in the Monroe Gas Field, which is located in the Parishes of Ouachita, Morehouse and Union, State of Louisiana;

(D) 96 Gas wells drilled on lands controlled by ownership of gas rights or by lease.

(E) A main trunk line for the transportation of natural gas extending from Fowler in Ouachita Parish, Louisiana, in the Monroe Gas Field, in a southerly direction a distance of approximately 91.17 miles to the Mississippi River, thence across the Mississippi River into the State of Mississippi to a point approximately 3 miles below the City of Natchez, Mississippi, thence continuing in a southeasterly direction through the State of Mississippi for a distance of 43.92 miles to the southerly boundary of the State of Mississippi, where said pipe line re-enters the State of Louisiana, thence continuing in a southerly direction in the State of Louisiana for a distance of approximately 36.52 miles to North Baton Rouge, Louisiana, at which point is located the refinery of Standard of Louisiana; that of the total length of said pipe line approximately 75% is located in Louisiana and approximately 25% is located in Mississippi;

(F) A compressor station located at Fowler, Ouachita Parish, Louisiana, and a compressor station, located at Ferriday, Concordia Parish, Louisiana;

(G) Various main pipe lines extending from points along the main line of United to points where Interstate supplies gas to certain purchasers, the main line of United consisting of a trunk line, extending from a point near the southern terminus of the line of Interstate at or near Scotland, in East Baton Rouge Parish, Louisiana, in a southeasterly direction, to a point near the city limits of New Orleans, Louisiana;

(H) Various other facilities used in connection with the operation of the properties, hereinabove described.

4. Subsequent to the incorporation of Interstate as a Delaware corporation, it qualified in Louisiana as a foreign corporation to do business as a private enterprise and designated an agent within the State of Louisiana for the service of legal process, but never qualified with the Louisiana Public Service Commission as a common carrier, public utility or otherwise; has never in any instance attempted to condemn or expropriate property, and does not possess or claim to possess the rights of eminent domain; has, in each and every instance, privately negotiated for and purchased all properties and rights of way owned by it; and, in one instance, was compelled to purchase at price of approximately $100,000.00 an entire plantation in order to obtain the right to cross said plantation, with its pipe line; has never at any time advertised or held itself out as being ready and willing to transport gas for or to sell gas to the public generally; has at no time solicited business generally; and has in certain instances declined to sell gas to certain parties where such prospective purchases were inconsistent with

its business policy; has never at any time prepared, or published any tariffs or other schedules relating to the transportation or sale of natural gas, and all sales have been made under private contracts. The pipe line belonging to Interstate does not in any instance pass through the corporate limits of any municipality and does not run longitudinally in the right of way of any highway or other publicly owned property. Interstate has, in each and every instance, unwaveringly adhered to its policy and plan of constructing and operating its facilities as a strictly private enterprise.

5. At the time Interstate was organized and its main pipe line and other facilities in connection therewith were constructed, said acts were done in order to provide natural gas as a fuel for the refinery of Standard of Louisiana at Baton Rouge, Louisiana, which requirements were then estimated to be, or shortly to become, approximately 70,000,000 cubic feet of gas per day; the pipe line of Interstate and other facilities constructed in connection therewith had an original capacity of approximately 70,000,000 to 80,000,000 cubic feet of gas per day; and it was then contemplated that the excess capacity of said system, if any, would be utilized in supplying gas to other industrial consumers and purchasers under arrangements and contracts which should thereafter be negotiated between Interstate and such customers. It was intended that Interstate would not sell to domestic consumers or to the public generally. In furtherance of the original plan and scheme, under which Interstate was organized and developed, a contract was entered into between Interstate and Standard of Louisiana, providing for the furnishing of natural gas by Interstate to Standard of Louisiana as fuel for its refinery. Thereafter, and from time to time, the pipe line facilities and the available supply of natural gas of Inter-

state has been increased, and contracts made at arm's length have been entered into with other and additional customers for said gas with the result that the gas now being transported, marketed and sold by Interstate is divided into six general types or classifications, to-wit:

(A) Gas sold and delivered by Interstate at wholesale to the following purchases:

(1) Mississippi River Fuel Corporation—which gas is sold and delivered to the aforesaid purchaser at its compressor station site located in Ouachita Parish, Louisiana;

(2) Southern Natural Gas Company—which gas is sold and delivered to the aforesaid purchaser at its compressor station site located in Ouachita Parish, Louisiana;

(3) United Gas Public Service Company and its assignee, United Gas Pipe Line Company, for the account of Memphis Natural Gas Company, which gas is delivered by Interstate to Memphis Natural Gas Company at its compressor station site located in Ouachita Parish, Louisiana;

(4) Arkansas-Louisiana Gas Company (successor to Arkansas-Louisiana Pipe Line Company)—which gas is delivered to the aforesaid purchaser at its compressor station site located in Ouachita Parish, Louisiana;

(The contract under which this gas was being marketed expired on ..... since which date, no gas has been marketed to this purchaser);

(5) United Gas Pipe Line Company as assignee of United Gas Public Service Company (assignee of Dixie

Gulf Gas Company)—which gas is delivered to the aforesaid purchaser at the compressor station site of Arkansas-Louisiana Gas Company located in Ouachita Parish, Louisiana;

(The contract under which this gas was being marketed expired on ..... since which date, no gas has been marketed to this purchaser);

(6) United Gas Pipe Line Company, as assignee of United Gas Public Service Company—which gas is delivered to the aforesaid purchaser at the compressor station site of Interstate at Fowler, in Ouachita Parish, Louisiana.

All of the aforesaid gas is sold and delivered by Interstate pursuant to the terms and provisions of certain private contracts entered into between Interstate and the aforesaid purchasers and their assignors, which contracts provide for and contemplate that said gas so sold is received by said purchasers and transported by them out of Louisiana and sold in other states. Said gas is produced by Interstate, transported, marketed and delivered in interstate commerce, and the same moves in a constant, uninterrupted and continuous flow from the mouths of the wells from which it is produced through pipe lines belonging to Interstate to the compressor stations, above set forth; thence without any interruption or at any time ever coming to rest into and through the aforesaid compressor stations and through and into states other than the state of Louisiana. Said gas is purchased by the aforesaid purchasers for the purpose of being transported out of the State of Louisiana and into and through other states, and said gas is so destined from the moment of its production, and none of said gas is produced for or is at any time sold or used in local

consumption or intrastate commerce. Said sales of gas so made by Interstate are transactions in interstate commerce.

(B) Gas sold and delivered by Interstate at wholesale at taps located on its main pipe line between Fowler in Ouachita Parish, Louisiana, and Vidalia in Concordia Parish, Louisiana, to (1) distributing companies and municipal corporations which in turn transport said gas from the aforesaid taps to the distribution systems belonging to them from whence it is sold by the distributing companies and municipal corporations to the consuming public, and (2) to three industrial customers near Ferriday, Louisiana.

(C) Gas sold and delivered by Interstate at wholesale at taps located on its main pipe line within the State of Mississippi to distributing companies and municipal corporations, which in turn transport said gas from the aforesaid taps to the distribution systems belonging to them from whence it is sold by the distributing companies and municipal corporations to the consuming public.

(D) Gas sold from Interstate's pipe line, after it reenters the State of Louisiana, said sales, in certain instances, being at wholesale to distributing companies and municipal corporations, the delivery thereof being made at taps located on the line of Interstate, from which point the gas is transported by the distributing companies and municipal corporations to their respective distribution systems, and thence sold by them to the consuming public; and, in other instances, the gas is sold by Interstate and delivered from its main line to industrial consumers, who purchase said gas under private contracts entered into between Interstate and its aforesaid customers.

(E) Gas sold by Interstate to distributing companies and municipal corporations and industrial consumers in the same manner as is described in subparagraph (D) above, except the delivery is made from the main line of the United Gas Pipe Line Company (formerly Southern Gas & Fuel Company), which connects with Interstate's line near Scotland, Louisiana, and thence extends in a southeasterly direction to a point at or near the city limits of the city of New Orleans, Louisiana, the gas sold and delivered by Interstate to the purchasers, as mentioned in this subparagraph (E) being transported by United Gas Pipe Line Company under a private contract between said companies.

(F) Gas transported by Interstate for United Gas Pipe Line Company (formerly Southern Gas & Fuel Company) from the Monroe Gas Field through the States of Louisiana and Mississippi to a point on Interstate's main pipe line near Scotland, Louisiana, where it is delivered into the main pipe line of the United Gas Pipe Line Company, said transportation being done pursuant to a private contract between Interstate and said company. Since 1939 part of the gas transported for United (about ....% of the total per month) has been delivered at a point on Interstate's main line in Richland Parish, Louisiana, to enable United to serve certain of its customers, formerly entirely served from gas produced by United in Richland Field.

6. (A) All gas sold and delivered by Interstate, as set forth in subparagraphs B, C, D, and E of paragraph 5 above, is delivered from its main line and from the main line of United, as set out above, and is sold and delivered to the distributing companies and industrial consumers at taps on the aforesaid main lines. The gas so withdrawn is measured by thermometers and meters

furnished by Interstate, which is the only way in which it can be measured, and the pressure of the gas is somewhat reduced by Interstate as delivery thereof is made to the aforesaid purchasers, such reduction in pressure, however, being an incident to and for the purpose of facilitating delivery thereof, the work thus being done by Interstate being done upon the flowing gas to help the delivery thereof. Interstate simply transports the gas and delivers it wholesale, not otherwise worked over than to make it ready for delivery to the independent purchasers who then either dispose of it by retail through their respective distribution systems or consume it as fuel for their industries. The gas so sold is produced and transported by Interstate and moves in a continuous and uninterrupted flow from the wells from which it is produced to the point of delivery on the main lines aforesaid, never comes to rest and is never placed or held in storage at any point. While said gas is compressed from time to time in the course of its journey to facilitate its movement, the transportation, nevertheless, is uninterrupted from the field to the purchaser, and there is no storage of gas to await the demands of purchasers at any time or at any point. After delivery of gas from the main lines, as aforesaid, Interstate exercises no control whatsoever over the gas so sold, and all appliances and equipment for the further handling, sale or utilization of the gas are the properties of the customers. In no instance, is the gas utilized by the customer at the point of delivery or at the delivery pressure. In each instance where gas is delivered to an industrial consumer, it is delivered by Interstate from the main lines, as set forth above, at pressures much higher than those at which it is consumed by the aforesaid industrial consumer, and is then carried by consumer through its own lines, after reducing pressure through its own facilities for purposes of consumption, to point of use.

(B) The gas transported by Interstate for United, as set out in subparagraph F of paragraph 5 above, moves in a continuous and uninterrupted flow from the northern terminus of Interstate's line at Fowler, Louisiana, through the States of Louisiana and Mississippi to a point at Scotland, Louisiana, near the southern terminus of the line of Interstate, at which point said gas flows without any interruption and without any reduction in pressure whatsoever from the main line of Interstate into the main line of United, and the movement of said gas is at all times continuous and uninterrupted, and said gas at no time comes to rest.

7. All of the gas sold and marketed by Interstate, as set out in subparagraphs A, B, C, D, and E of paragraph 5 above, and the gas transported by Interstate for United, as set out in subparagraph F of paragraph 5 above, is sold and transported pursuant to the terms and provisions of contracts negotiated and entered into between Interstate and said parties. All of such contracts are strictly private contracts and were negotiated at arm's length; that no relations existed or now exist between Interstate and any of those to whom it sells gas, other than the relations created by the contracts under which said gas is marketed; except that Standard of New Jersey owns the majority of the outstanding capital stock of Interstate and according to affiant's best information owns the capital stock of Standard of Louisiana and a minority interest in Mississippi River Fuel Corporation.

8. Of the total quantity of gas sold by Interstate during the 12-month period ending with June 1938, approximately 17/100 of 1% was sold and delivered from its main pipe line between Fowler, Ouachita Parish, Louisiana, and Vidalia, Concordia Parish, Louisiana, which is the gas mentioned and referred to in subparagraph B

of paragraph 5 above, and the balance of the gas sold by Interstate during said 12-month period, amounting to 99.83% of its total sales, was sold by Interstate, as set out in subparagraphs A, C, D, and E of paragraph 5 above, and was sold, transported and marketed in furtherance of and as a part of the interstate commerce as described in said paragraphs A, C, D and E.

9. In each and every instance, where gas is sold and marketed by Interstate for fuel for industrial consumption, said gas is sold in direct competition with other fuels; and, in many instances in which the gas is so sold, the contracts under which it is sold provide for varying and fluctuating prices which are controlled and determined by the fluctuating prices at which crude oil is sold; and, in instances where gas is sold by Interstate to municipal corporations and other companies for sale and distribution by such purchasers for domestic consumption, said gas is not the only fuel available for such consumption; and, in many instances, residents of the community so supplied with gas are burning oil, wood and other fuels other than natural gas. Certain communities located near and adjacent to the pipe line of Interstate, namely, Baskin, Mangham, ..., and ..... are supplied with natural gas for fuel purposes through pipe line facilities other than the pipe line owned and operated by Interstate, and a gas field now exists in East Baton Rouge Parish near the City of Baton Rouge, Louisiana, and the pipe line of Interstate is not the only source of supply of natural gas available to such communities.

.....

Sworn To And Subscribed, before me, on this, the ..... day of ....., A. D., 1939.

.....

Notary Public.

In the United States Circuit Court of Appeals for the Fifth Circuit.

Interstate Natural Gas Company, Incorporated, Petitioner,
vs. No. 10701.
Federal Power Commission et al., Respondent.

I, Joseph H. Guthrie, Acting Secretary of the Federal Power Commission and official custodian of the records of said Commission, do hereby certify that the attached are true copies of:

	Title of Document	Vol. No.	Page No.
1.	Transcript of hearings held June 17, 18, 19 and 20, 1942	I	1
2.	Transcript of hearings held June 22, 23, 30, and July 1, 1942	II	593
3.	Transcript of oral argument heard October 14, 1942	II	1054
4.	The exhibits, set forth below, offered in evidence at the hearings held June 17, 18 19, 20, 22, 23, 30, and July 1, 1942:		

Exhibit No.	Title of Document	Vol. No.	Page No.
1	Certified copy of Louisiana Public Service Commission Order No. 20,090	III	1167
2	Certified copy of Louisiana Public Service Commission Order No. 20,217	III	1174
3	General description of the organization, property and business of Interstate Natural Gas Company, Inc.	III	1177
4	Agreement between Standard Oil Company (New Jersey) and Ford, Bacon and Davis, Inc., dated October 9, 1925	III	1195

Exhibit No.	Title of Document	Vol. No.	Page No.
5	Acreage map showing the acreage in the Monroe Field of Interstate Natural Gas Company, Inc., United Carbon Company, Southern Carbon Company, Hope Producing Company and Union Producing Company	III	1213
6	Field line map showing all of the field lines of Interstate Natural Gas Company, Inc., showing, also, in colors, certain acreage within the Monroe Field	III	1215
7	Main line map showing the main pipeline of Interstate Natural Gas Company, Inc., beginning at De Siard Compressor Station and running to Baton Rouge	III	1217
8	List of Rate Schedules, designated "Field Sales" filed by Interstate Natural Gas Company, Inc., with the Federal Power Commission	III	1219
9	Rate Schedule F. P. C. No. 4, covering the sale of natural gas by Interstate Natural Gas Company, Inc. to Mississippi River Fuel Corporation	III	1227
10	Rate Schedule F. P. C. No. 24, covering the sale of natural gas by Interstate Natural Gas Company, Inc. to Southern Natural Gas Company	III	1297
11	Rate Schedule F. P. C. No. 15, covering the sale of natural gas by Interstate Natural Gas Company, Inc. to United Gas Pipeline Company	III	1412
12	Rate Schedule F. P. C. No. 6, covering the sale of natural gas by Interstate Natural Gas Company, Inc. to the		

Exhibit No.	Title of Document	Vol. No.	Page No.
	United Gas Pipeline Company (account of Memphis Natural Gas Company)	III	1519
13	Rate Schedule F. P .C. No. 16, covering the transportation of natural gas by Interstate Natural Gas Company, Inc. for United Gas Pipeline Company, successor to Southern Gas & Fuel Company	IV	1627
14	List of rate schedules covering sales to distributing companies, filed by Interstate Natural Gas Company, Inc., with Federal Power Commission	IV	1771
15	Rate Schedule F. P. C. No. 12, covering natural gas sold by Interstate Natural Gas Company, Inc. to Buffalo Gas Company, Wilkinson, Mississippi	IV	1788
16	Rate Schedule F. P. C. No. 22, covering natural gas sold by Interstate Natural Gas Company, Inc. to the town of Centerville, Centerville, Mississippi	IV	1805
17	Rate Schedule F. P. C. No. 8, covering natural gas sold by Interstate Natural Gas Company, Inc. to the village of Gonzales, Louisiana	IV	1836
18	Rate Schedule F. P. C. No. 10, covering natural gas sold to Gulf States Utilities Company, successor to Baton Rouge Electric Company, Baton Rouge, Louisiana, to supply consumers located in Inniswold Plantation, East Baton Rouge Parish, Louisiana	IV	1862
19	Rate Schedule F. P. C. No. 19, covering natural gas sold by Interstate Natural		

Exhibit No.	Title of Document	Vol. No.	Page No.
	Gas Company to Gulf States Utilities Company, successors to Baton Rouge Electric Company, Baton Rouge, Louisiana, to supply consumers located in the City of Baton Rouge, Louisiana	IV	1890
20	Rate Schedule F. P. C. No. 13, covering natural gas sold by Interstate Natural Gas Company, Inc. to the town of Jackson, Jackson, Louisiana	IV	1928
21	Rate Schedule F. P. C. No. 5, covering natural gas sold by Interstate Natural Gas Company, Inc. to the La Place Gas and Fuel Company, Inc., La Place, Louisiana	IV	1947
22	Rate Schedule F. P. C. No. 20, covering natural gas sold by Interstate Natural Gas Company, Inc. to Misissippi Power & Light Company, Jackson, Mississippi	IV	1976
23	Rate Schedule F. P. C. No. 11, covering natural gas sold by Interstate Natural Gas Company, Inc. to Norco Gas & Fuel Company, Inc., Lutcher, Louisiana, to supply consumers in the towns of Norco and Goodhope, Louisiana	IV	2002
24	Rate Schedule F. P. C. No. 17, covering natural gas sold by Interstate Natural Gas Company, Inc. to Norco Gas & Fuel Company, Inc., Lutcher, Louisiana, to supply consumers in the town of Destrehan, Louisiana	IV	2030
25	Rate Schedule F. P. C. No. 24, covering natural gas sold by Interstate Natural		

Exhibit No.	Title of Document	Vol. No.	Page No.
	Gas Company, Inc. to Norco Gas & Fuel Company, Inc. to supply consumers in the towns of Lutcher, Paulina and Gramercy, Louisiana ..	IV	2058
26	Rate Schedule F. P. C. No. 7, covering natural gas sold by Interstate Natural Gas Company, Inc. to Reserve Public Utilities Corporation, Reserve, Louisiana	IV	2086
27	Rate Schedule F. P. C. No. 21, covering natural gas sold by Interstate Natural Gas Company, Inc. to the town of St. Francisville, St. Francisville, Louisiana	IV	2115
28	Rate Schedule, F. P. C. No. 9, covering natural gas sold by Interstate Natural Gas Company, Inc. to Suburban Public Service, Inc. (successor to General Engineering & Management Corporation), Baton Rouge, Louisiana	IV	2139
29	Rate Schedule F. P. C. No. 1, covering natural gas sold by Interstate Natural Gas Company, Inc., to the town of Woodville, Mississippi	IV	2172
30	Rate Schedule F. P. C. No. 18, covering natural gas sold by Interstate Natural Gas Company, Inc. to the town of Zachary, Louisiana	IV	2192
31	List of agreements between Interstate Natural Gas Company, Inc., and the Vendees named therein, covering the sale of natural gas for resale	IV	2215
32	Agreement between Interstate Natural Gas Company Inc. and Louisiana Power and Light Company, dated		

Exhibit No.	Title of Document	Vol. No.	Page No.
	September 12, 1928, covering natural gas sold for resale in the town of Ferriday, Louisiana	IV	2222
33	Agreement between Interstate Natural Gas Company Inc. and Louisiana Power and Light Company, dated June 15, 1928, covering the sale of natural gas for resale in the town of Gilbert, Louisiana	IV	2240
34	Agreement between Interstate Natural Gas Company Inc. and Louisiana Power and Light Company, dated June 15, 1928, covering the sale of natural gas for resale in the town of Wisner, Louisiana	IV	2254
35	Agreement between Interstate Natural Gas Company, Inc. and the Peck Gas Company, dated September 17, 1932, covering the sale of natural gas for resale in the town of Peck, Louisiana	IV	2268
36	Agreement between Interstate Natural Gas Company, Inc. and Sicily Island Gas Company, Inc., dated June 2, 1930, covering the sale of natural gas for resale in the town of Sicily Island, Louisiana	IV	2284
37	Agreement between Interstate Natural Gas Company, Inc. and the town of Vidalia, dated July 21, 1938, covering the sale of natural gas for resale in the town of Vidalia, Louisiana	IV	2300
38	Analysis of Interstate Natural Gas Company, Inc.'s present purchase contracts in (1) Monroe Field, (2) other than Monroe Field	V	2315

Exhibit No.	Title of Document	Vol. No.	Page No.
39	Analysis of Interstate Natural Gas Company, Inc.'s field sales contracts for the years 1937 to 1941, inclusive	V	2318
40	Analysis of Interstate Natural Gas Company, Inc.'s present industrial contracts, years 1937 to 1941, inclusive	V	2320
41	Analysis of Interstate Natural Gas Company, Inc.'s sales to distributing companies for the years 1937 to 1941, inclusive	V	2325
42	A description of the natural gas properties and the production and gathering operations of Interstate Natural Gas Company, Inc., in the Monroe Gas Field, Morehouse, Union and Ouachita Parishes, Louisiana	V	2329
42-A	Draft of Exhibit 42, written by H. C. Cooper, and transmitted to the Federal Power Commission under date of June 9, 1942	V	2371
43	Dispatching diagram showing schematically the location of wells, field lines, points of delivery in the field and lines coming into Interstate Natural Gas Company, Inc.'s De Siard Compressor Station	V	2395
44	Plan of Interstate Natural Gas Company, Inc.'s De Siard Compressor Station, showing layout of inlet and outlet gas mains	V	2397
45	Schematic diagram of delivery points to the United Gas Pipeline Company and to the Southern Natural Gas Company and to the Mississippi River Fuel Corporation	V	2399

Exhibit No.	Title of Document	Vol. No.	Page No.
46	Document entitled, "Deterioration Accrued in Physical Properties of Interstate Natural Gas Company, Inc., as of December 31, 1941," prepared by George I. Rhodes	V	2401
47	Document entitled, "Memorandum—Interstate Natural Gas Company—Explanation of Methods Used in Determining the Progress of Corrosion of Pipelines Towards Complete Deterioration," prepared by George I. Rhodes	V	2416
48	Statistical data on the City of Baton Rouge, Louisiana	V	2445
49	"Properties and Operations of the Interstate Natural Gas Company, Inc.," prepared by Paul C. White	V	2455
50	"Estimate of Natural Gas Reserves" prepared by Paul C. White	V	2508
51	"Complete Service Lives and Depletion of the Interstate Natural Gas Company, Inc." prepared by Paul C. White	V	2523
52	Summary of service lives exclusive of functional factors of Interstate Natural Gas Company, Inc.	V	2535
53	Ordinances No. 15,529, 15,530 and 15,531 of the City of New Orleans	V	2536
54	Letter dated June 16, 1942, from E. S. Meyers, Vice President of New Orleans Public Service, Inc. to Francis P. Burns	V	2538
55	Agreement between Southern Gas and Fuel Company and New Orleans Public Service Company, Inc., dated November 26, 1934	V	2539

Exhibit No.	Title of Document	Vol. No.	Page No.
56	"Original Cost of Gas Plant—December 31, 1940," of Interstate Natural Gas Company, Inc., prepared by F. H. Magruder	V	2580
57	"A Corporate and Financial History of Interstate Natural Gas Company, Inc.—being an account of its Organization, Control, Development, and Scope of Operations," prepared by F. H. Magruder	V	2686
57-A	"Addenda to a Corporate and Financial History of Interstate Natural Gas Company, Inc.," prepared by F. H. Magruder	V	2720
58	Balance Sheet of Interstate Natural Gas Company, Inc. as of December 31, 1940, prepared by F. H. Magruder	V	2726
59	Determination of depreciation and depletion of Interstate Natural Gas Company, Inc.'s gas plant for the years 1926 through 1940, prepared by F. H. Magruder	V	2740
60	Interstate Natural Gas Company, Inc., exploration and development costs for the years 1926-1940, prepared by F. H. Magruder	V	2776
61	"Working Capital—Computation of an Allowance for Working Capital, based on the Operations of Interstate Natural Gas Company, Inc., for the year ended December 31, 1940," prepared by Frank C. Rivers	VI	2793
62-A	Volume 1 of "Income Accounts Reclassified and Adjusted for the Years 1938, 1939, and 1940," prepared by Frank C. Rivers	VI	2809

Exhibit No.	Title of Document	Vol. No.	Page No.
62-B	Volume 2 of "Income Accounts Reclassified and Adjusted for the Years 1938, 1939, and 1940," prepared by Frank C. Rivers	VI	2877
63	"Report on Income, Plant and Depreciation and Depletion Reserve Accounts for the year 1941;" prepared by Frank C. Rivers	VI	2958
64	"Comparison of Rate Schedules and Gas Sales Agreements of Interstate Natural Gas Company, Inc." prepared by James V. O'Connor	VI	3001
65	"Cost of Service, 1938 to 1941, and Allocation of Cost of Service 1941—Interstate Natural Gas Company, Inc.," prepared by James V. O'Connor	VI	3034
66	Company's revision of Exhibit No. 65, Schedules Nos. 1, 2 and 3, prepared by James Comerford	VI	3064
67	"Revision of Cost of Service Allocation with Return at 6½% per annum and with Corresponding Federal Income and Excess Profits Taxes as Prepared by Federal Power Commission—to Show Proper Allocation of Return and Income Taxes Proportionate to Total Allocation of all Other Costs," prepared by Seth M. Timberlake	VI	3069
68	Comparison of allocation of 6½% return and Federal Income taxes to transmission costs by Exh. No. 65 and Exh. No. 67, prepared by Seth M. Timberlake	VI	3078

Exhibit No.	Title of Document	Vol. No.	Page No.
69	"Revision of Cost of Service Allocation with Return at 6½% per annum and with Corresponding Federal Income and Excess Profits Taxes, 1941, as prepared by Federal Power Commission—to Show Proper Allocation of Return and Federal Income Taxes with Federal Income Taxes Computed at a Normal Rate of 40%," prepared by Seth M. Timberlake ..	VI	3080
70	"Original Cost of the Natural Gas Properties of Interstate Natural Gas Company, Inc., Less Deductions for Observed Deterioration and Accrued Depletion as of December 31, 1941," prepared by Seth M. Timberlake ..	VI	3092
71	Company's revision of Exhibit No. 65, Schedules 1, 2 and 3, prepared by James Comerford	VI	3099
72	Cost of Service Allocation with Return at 6½% per annum on Original Cost of Property Less Observed Deterioration and Federal Income Taxes Computed at a Normal Rate of 40%, based on Operations for the Year 1941," prepared by Seth M. Timberlake	VI	3104
73	Proposed additions to Interstate Natural Gas Company, Inc.'s plant for the years 1942 to 1946, inclusive	VI	3119
74	Map issued by the Louisiana State Department of Conservation, showing a geological survey as to gas in the State of Louisiana, made in November, 1941	VI	3120

Exhibit No.	Title of Document	Vol. No.	Page No.
75	Copy of report of the Director of the Department of Minerals of the Conservation Department of the State of Louisiana, on the availability of natural gas in Louisiana	VI	3121
76	"Interstate Natural Gas Company, Inc., Original Cost of Property, less Accumulated Depreciation and Depletion on the Basis of Service Lives," prepared by Seth M. Timberlake	VI	3143
77	Copy of memorandum agreement, dated August 29, 1939, between United Gas Pipeline Company and Interstate Natural Gas Company, Inc., relating to transportation of gas from De Siard Compressor Station to Alto, Louisiana	VI	3146
78	List of industrial gas sale agreements between Interstate Natural Gas Company, Inc., and the Vendees named therein	VI	3150
79	Copy of an agreement, dated January 1, 1939, between Interstate Natural Gas Company, Inc., and Colonial Sugars Company, together with the supplements thereto	VI	3163
80	Copy of an agreement, dated December 1, 1932, between Interstate Natural Gas Company, Inc., and J. M. Jones Lumber Company, together with the supplements thereto	VI	3183
81	Copy of an agreement, dated November 26, 1930, between Interstate Natural Gas Company, Inc. and Dehass-Eby Lumber Company, Inc., together with supplements thereto	VII	3200

Exhibit No.	Title of Document	Vol. No.	Page No.
82	Copy of an agreement, dated December 31, 1937, between Interstate Natural Gas Company, Inc., and East Louisiana State Hospital, together with the supplements thereto	VII	3222
83	Copy of a contract, dated June 25, 1937, between Interstate Natural Gas Company, Inc., and E. I. Dupont de Nemours & Company, Incorporated, together with the supplements thereto	VII	3233
84	Copy of a contract, dated December 26, 1941, between Interstate Natural Gas Company, Inc., and General American Transportation Corporation, together with the supplements thereto	VII	3282
85	Copy of an agreement, dated December 2, 1938, between Interstate Natural Gas Company, Inc. and Godchaux Sugars, Inc., together with the supplements thereto	VII	3296
86	Copy of an agreement dated November 24, 1937 between Interstate Natural Gas Company, Inc. and Louisiana Steam Generating Corporation, together with the supplements thereto	VII	3315
87	Copy of an agreement, dated April 1, 1939, between Interstate Natural Gas Company, Inc. and The Solvay Process Company, together with the supplements thereto	VII	3365
88	Copy of a contract dated January 14, 1938, between Interstate Natural Gas Company, Inc., and Standard Oil Company of Louisiana, together with the supplements thereto	VII	3394

Exhibit No.	Title of Document	Vol. No.	Page No.
89	"Copy of stipulation and plan for natural gas pipe line to the St. Louis district, dated June 26, 1928, and supplemented by Producers' Group Agreement, dated December 17, 1928" ...	VII	3437
90	Copy of the petition filed by the Respondent herein in the United States District Court for the Eastern District of Louisiana, Baton Rouge Division, in the matter of Interstate Natural Gas Company, Inc. vs. Louisiana Public Service Commission, et al. ...	VII	3446
91	Affidavit of F. H. Lerch, Jr., filed in the United States District Court for the Eastern District of Louisiana, Baton Rouge Division, in the matter of Interstate Natural Gas Company, Inc. vs. Louisiana Public Service Commission, et al.	VII	3473
92	Copy of the opinion of the United States District Court for the Eastern District of Louisiana, Baton Rouge Division, denying the application for preliminary injunction in the matter of Interstate Natural Gas Company, Inc. vs. Louisiana Public Service Commission, et al.	VII	3483
93	Copy of the opinion of the United States District Court for the Eastern District of Louisiana, Baton Rouge Division, rendering judgment for the complainant, declaring it not to be subject to the jurisdiction of the Public Service Commission of the State of Louisiana, and permanently enjoining said		

Exhibit No.	Title of Document	Vol. No.	Page No.
	Commission, its officers, agents and employees from further prosecuting the proceedings complained of	VII	3502
94	Chart entitled, "Trend of Revenue and Expenses of Interstate Natural Gas Company, Inc.—1926-1941," together with supporting figures	VII	3507
95	Chart entitled, "Trend of Gross and Net Operating Revenues of Interstate Natural Gas Company—1937-1941," together with supporting figures	VII	3510
96	Chart entitled, "Investors' Appraisal of Over-all Capital Risks in Various Divisions of the Utility Industry—1937-1941," together with supporting figures	VII	3512
97	Chart entitled, "Investors' Appraisal of Over-all Capital Risks in Natural Gas Pipeline Companies—1937-1941," together with supporting figures	VII	3514
98	Chart entitled, "Earnings—Price Ratios of Natural Gas Pipeline Company Common Stocks—1937-1941," together with supporting figures	VII	3516
99	Chart entitled, "Average Earnings—Price Ratios of Natural Gas Pipeline Company common stocks—1937-1941," together with supporting figures	VII	3518
100	Chart entitled, "Investors' Appraisal of Over-all Capital Risks of Interstate Natural Gas Company—1930-1941," together with supporting figures	VII	3520
101	Volume entitled, "Working Papers Supporting Investors' Appraisal of the Risks of Capital in the Natural Gas		

Exhibit No.	Title of Document	Vol. No.	Page No.
	Industry as Compared with Other Divisions of the Utility Industry," prepared by Paul B. Coffman	VIII	3522
102	Volume entitled, "Rate of Return Study," prepared by Samuel Joseph	IX	3701
103	"Statement of Charges for the Testimony of Paul B. Coffman and Statement of Companies for which Paul B. Coffman has given Testimony," received July 14, 1942	IX	3846

	Title of Document	Vol. No.	Page No.
5.	Petition filed by Louisiana Public Service Commission on May 23, 1939, at Docket No. G-132	IX	3849
6.	Answer of Defendant filed June 24, 1939 at Docket No. G-132	IX	3867
7.	Order instituting investigation entered December 5, 1939, at Docket No. G-149	IX	3883
8.	Order fixing date of hearing entered October 8, 1940, at Docket No. G-149	IX	3885
9.	Order continuing date of hearing entered October 12, 1940, at Docket No. G-149	IX	3887
10.	Subpoena duces tecum issued October 9, 1940, showing Marshal's return of service thereof on Union Power Company, Inc., on October 11, 1940; in Docket No. G-149	IX	3888
11.	Petition of intervention of the City of New Orleans filed May 12, 1942, at Docket No. G-149	IX	3890
12.	Order consolidating proceedings for purposes of hearing and fixing date of hearing entered May 12, 1942, at Docket No. G-149 and G-132	IX	3907

	Title of Document	Vol. No.	Page No.
13.	Order permitting intervention of the City of New Orleans, Louisiana, entered May 15, 1942, at Docket No. G-132	IX	3909
14.	Order changing date and place of hearing entered May 26, 1942	IX	3910
15.	Designation of Trial Examiner Edward B. Marsh to preside at hearing filed May 27, 1942	IX	3911
16.	Petition of Baton Rouge, Louisiana, for leave to intervene filed June 1, 1942	IX	3912
17.	Order permitting intervention of City of Baton Rouge, Louisiana, entered June 3, 1942	IX	3915
18.	Subpoena issued on June 10, 1942, showing Marshal's return of service on J. Edw. Jones on June 11, 1942	IX	3916
19.	Motion filed by Louisiana Public Service Commission on July 23, 1942	IX	3919
20.	Application for oral argument filed by Interstate Natural Gas Company, Incorporated on August 21, 1942	IX	3924
21.	Order granting oral argument entered September 9, 1942	IX	3927
22.	Petition of the Town of Ferriday, Louisiana, to intervene filed October 1, 1942	IX	3928
23.	Order denying petition for intervention by Town of Ferriday, Louisiana, entered October 13, 1942	IX	3930
24.	Argument on behalf of City of Baton Rouge, Louisiana, intervener, filed October 12, 1942	IX	3932
25.	Opinion No. 91 entered and filed April 27, 1943	IX	3937
26.	Order reducing rates entered April 27, 1943	IX	3970

	Title of Document	Vol. No.	Page No.
27.	Petition of Interstate Natural Gas Company, Inc. for stay and modification of the Commission's order of April 27, 1943, filed May 11, 1943	IX	3975
28.	Order extending time of filing and effective date of new schedules of rates and charges entered May 11, 1943	IX	3982
29.	Petition for rehearing of Interstate Natural Gas Company, Incorporated, filed May 18, 1943	IX	3985
30.	Order modifying order reducing rates and denying petition for rehearing entered June 9, 1943	IX	4005

all of which constitute the record before the Federal Power Commission in the matter of Interstate Natural Gas Company, Incorporated, Docket No. G-149, and Louisiana Public Service Commission vs. Interstate Natural Gas Company, Incorporated, Docket No. G-132.

In witness whereof I have hereunto subscribed my name and caused the seal of the Federal Power Commission affixed this 9th day of August, 1943, at Washington, D. C.

J. H. GUTRIDE,
Acting Secretary.

(Seal)

That thereafter the following proceedings were had in said cause in the United States Circuit Court of Appeals for the Fifth Circuit, viz:

ARGUMENT AND SUBMISSION.

Extract from the Minutes of May 13th, 1946.

Interstate Natural Gas Company, Incorporated,
versus No. 10701.
Federal Power Commission, Louisiana Public Service Commission, City of New Orleans, Louisiana, City of Baton Rouge, Louisiana.

On this day this cause was called, and after argument by William A. Dougherty, Esq., for petitioner, Donald C. McCreery, Esq., for Amicus Curiae, and Charles E. McGee, Esq., Assistant General Counsel, Federal Power Commission, for respondents, was submitted to the Court.

OPINION OF THE COURT AND DISSENTING OPINION BY WALLER, CIRCUIT JUDGE.

Filed August 3, 1946.

IN THE
UNITED STATES CIRCUIT COURT OF APPEALS
FOR THE FIFTH CIRCUIT

No. 10701

INTERSTATE NATURAL GAS COMPANY, INCORPORATED,

Petitioner,

versus

FEDERAL POWER COMMISSION, LOUISIANA PUBLIC SERVICE COMMISSION, CITY OF NEW ORLEANS, LOUISIANA, CITY OF BATON ROUGE, LOUISIANA,

Respondents.

Petition for Review of an Order of the Federal Power Commission, Washington, D. C.

(August 3, 1946.)

Before SIBLEY, HUTCHESON and WALLER, Circuit Judges.

HUTCHESON, Circuit Judge: The proceeding under review here was brought under Section 5(a)[1] of the

[1] "Sec. 5(a) Whenever the Commission, after a hearing had upon its own motion or upon complaint of any State, municipality, State Commission, or gas distributing company, shall find that any rate, charge, or classification demanded, observed, charged, or collected by any natural-gas company in connection with any transportation or sale of natural gas, subject to the jurisdiction of the Commission, or that any rule, regulation, practice, or contract affecting such rate, charge, or classification is unjust, unreasonable, unduly discriminatory, or preferential, the Commission shall determine the just and reasonable rate, charge, classification, rule, regulation, practice, or contract to be thereafter observed and in force, and shall fix the same by order:"

Natural Gas Act[2] as a general investigation of the reasonableness of all the rates of petitioner, subject to the jurisdiction of the commission.

Petitioner, as to all of its rates sought to be investigated, denied that any of them were unreasonable, and as to sales of natural gas, made by it in the Monroe Gas Field to certain pipe line companies,[3] it insisted that the rates and charges were not within the jurisdiction of the commission, that, indeed, as part of the production and gathering of the gas; they were by the statute expressly withdrawn from its jurisdiction.

The Commission found that all of the sales to these companies were "sales of natural gas in interstate commerce for resale for ultimate public consumption" within the meaning of Section 1 (b),[4] the jurisdictional section of the act, and that the charges made were unreasonable. Its order required reductions in these rates from 7.39¢ to 4.66¢ per M.c.f.

Petitioner is here complaining: (1) that the sales were not within, but were expressly excluded from, the jurisdiction of the commission; and (2) that the order as to them is confiscatory. In support of its first position, it relies not only on the language of the act, but on what

[2] 52 Stat. 821, 15 USC, Sec. 717.

[3] Mississippi River Fuel Corp.; Southern Natural Gas Co.; United Gas Pipe Line Co. for account Memphis Natural Gas Co.

[4] Sec. 1(b) of the Natural Gas Act provides:

"The provisions of this act shall apply to the transportation of natural gas in interstate commerce, to the sale in interstate commerce of natural gas for resale for ultimate public consumption for domestic, commercial, industrial, or any other use, and to natural-gas companies engaged in such transportation or sale, but shall not apply to any other transportation or sale of natural gas or to the local distribution of natural gas or to the facilities used for such distribution or to the production or gathering of natural gas."

it calls "authorized statements of commission representatives", and "legislative history". In support of its second position it points to the fact that the charges the order fixed as reasonable are considerably less than the average price, 5.5¢, which petitioner pays for gas purchased by it in the field, and that 1.1¢ must be added to this as gathering costs. Thus for gas which cost it 6.6 cents, the order allows it to charge only 4.66 cents.

In answer to petitioner's first position, the Commission points to the precise language of the section, that the provisions of the act "shall apply to the sale in interstate commerce . . . for resale for ultimate public consumption . . ."; to the undisputed fact admitted by petitioner that the sales the order deals with are in interstate commerce; to the legislative history of the act in question as distinguished from the history of prior acts introduced but not enacted into law, on which petitioner relies; and to Peoples Natural Gas vs. The Commissioner, 123 F(2) 153; and other cases which it claims support its view.

As to petitioner's second point, that the order was confiscatory, the Commission invokes the settled principle that the rate order must be viewed not piecemeal but in its entirety, that, in short, if as a whole the order affords just compensation, the fact that some particular rate in the schedule of rates, viewed by itself alone, may appear to be low, is immaterial. Basing on that principle, it points to the admitted fact that the rate schedules as a whole established by the order are producing a 6.5% return on the rate base fixed. As to the precise rates, the Commission insists that since petitioner operates an integrated pipe line system in which both produced and pur-

chased gas are commingled and disposes of a great part of its gas to others than these pipelines in question, there is no way of knowing just what is the source of the gas delivered to petitioner's pipeline customers. By figures it demonstrates that the cost of the gas produced is less than the 4.66¢ allowed, and it insists that it is not, and cannot be, made to appear that that charge even by itself is confiscatory.

We agree with the Commission that the rates are within its jurisdiction and that petitioner has failed to show that they are confiscatory.

Disposing first of the question of compensation, we need not inquire whether, if it stood alone, the rate allowed would be confiscatory. It is sufficient to say that the Commission is correct in its position that the rate order must be viewed in its entirety, and that "it is not the theory but the impact of the rate order which counts. If the total effect of the rate order cannot be said to be unjust and unreasonable, judicial inquiry under the act is at an end". *Federal Power Comm. v. Hope Natural Gas*, 320 U. S. 591; *Panhandle v. Federal Power*, 324 U. S. 635; *Cities Service Co. v. Federal Power Comm.*, 10th Circuit, April 30, 1946.

On the jurisdictional point, we think the language employed in the bill as it finally passed, "The provisions of this act shall apply . . . to the sale in interstate commerce of natural gas for resale for ultimate public consumption, and to natural gas companies engaged in such transportation or sale", leaves in no doubt that the sales in question are within its purview. That they are sales in interstate

commerce, we think is settled by the authorities.[5] That the gas was sold for resale for ultimate public consumption, we think may not be doubted. This being so, the exception of the statute that it shall not apply to "any other * * * sale of natural gas" is unavailing to petitioner, for if the sale is the kind named in the first quoted clause, it certainly cannot be "any other sale".

We think petitioner's difficulties in construction and interpretation arise out of the fact that, treating unlike things as alike, it tries to read the exception with respect to production or gathering as an exception with respect to sales. There is no warrant in the act for so doing. It is very simply and plainly written. After stating what it shall apply to, it then states what it shall not apply to. Under familiar rules of construction, a negation in or exception to a statute will be construed so as to avoid nullifying or restricting its apparent principal purpose and the positive provisions made to carry them out. No conflict with them will, therefore, be found unless the conflict is clear and inescapable and then only in the precise point of the conflict. *Cf. Hartford v. Federal Power*, 131 F(2) 933. Here the statute was drawn to regulate, it picked out for inclusion "sales in interstate commerce of natural gas for resale for ultimate public consumption". It excluded from the scope of the act sales other than of this kind. It included transportation in interstate commerce. It excluded local distribution of natural gas.

Unnecessarily perhaps but in the interest of making clear that the act gave jurisdiction only over sales and

[5] Missouri v. Kansas Gas Co., 265 U. S. 298; Public Service Comm. v. Attleboro Steam & Elec. Co., 273 U. S. 83.

transportation of the kind described in it, it used language removing from any doubt that the Commission was not to have jurisdiction over properties used for production and local distribution or the activities of production and gathering. It did this by expressly providing that the act should not apply "to the facilities used for such [i. e. local] distribution or to the production or gathering of natural gas."

In *Peoples Natural Gas Co. v. Federal Power Comm.*, 127 F(2) 153, the court found that a sale in Pennsylvania to an interstate pipeline company which immediately transported it to New York was a sale of natural gas in interstate commerce for resale, and, so finding, held that the provision that the act did not apply to production or gathering did not limit the commission's jurisdiction over such sales.[6]

In the Canadian River Gas case, 324 U. S., at pp. 602-3, the Supreme Court rejected the argument which petitioner advances here that unless the meaning it contends for is given to the provision with respect to gathering and distribution, that provision will be meaningless. It said:

> "That does not mean that the part of Sec. 1 (b) which provides that the Act shall not apply 'to the production or gathering of natural gas' is given no meaning. Certainly that provision precludes the Commission from any control over the activity of producing or gathering natural gas. For example, it makes plain that the Commission has no control over the drilling and spacing of wells and the like.

[6] Cf. Missouri v. Kansas Gas Co.; Public Service Comm. v. Attleboro Steam & Electric Co., supra.

> It may put other limitations on the Commision. We only decide that it does not preclude the Commission from reflecting the production and gathering facilities of a natural gas company in the rate base and determining the expenses incident thereto for the purposes of determining the reasonableness of rates subject to its jurisdiction."

A careful reading of petitioner's brief, especially of that portion of it devoted to the legislative history, shows that its difficulties flow from the fact that it does not distinguish between the Lea Bill, House Bill No. 11,662, proposed in 1936, but never passed, and the bill which became the law now under review. Legislative history "cannot be resorted to for the purpose of construing a statute contrary to the natural import of its terms * * *. If the language be clear, it is conclusive". *Peoples Natural Gas Co. v. Federal Power Comm., supra*, quoting from *United States v. Shreveport Grain Co.*, 287 U. S. at page 83. Certainly the legislative history of a bill that was not adopted cannot be resorted to to construe a bill that was.

It is quite plain that from the time the Lea Bill was introduced until the Natural Gas Act was passed, the ideas of the proponents of the legislation underwent considerable change. The purpose of the Natural Gas Act, as shown in the Senate and House Committee reports, which are identical, was to provide for the regulation of natural gas companies transporting and selling natural gas in interstate commerce. Its proponents were not interested in the production of gas or the individual sales of gas at the well. Nor were they interested in gathering of the gas in the field. What they were interested in, as the report in terms states,

what they were trying to reach, was wholesale sales of gas. Says the report:

> "There is no intention in enacting the present legislation to disturb the states in their exercise of such jurisdiction. However, in the case of sales for resale, or so-called wholesale sales in interstate commerce, (for example sales by producing companies to distributing companies) the legal situation is different. Such transactions have been considered to be not local in character, and, even in the absence of congressional action, not subject to state regulation. (See *Missouri v. Kansas Gas Co.*, (1924), 265 U. S. 298, and *Public Service Commission v. Attleboro Steam & Electric Co.*, (1927), 273 U. S. 83). The basic purpose of the present legislation is to occupy this field in which the Supreme Court has held that the States may not act."

It would be difficult to conceive language better adopted to achieve this purpose than the language of the act in question here. It would be difficult to find a case more clearly illustrating the mischief which the act was supposed to remedy, more fittingly applying the remedy. The statute expressly provides that "it shall apply to the transportation of natural gas in interstate commerce, to the sale in interstate commerce of natural gas for resale for ultimate public consumption for domestic, commercial, industrial, or any other use, and to natural-gas companies engaged in such transportation or sale * * *". It is conceded that Interstate is a natural gas company engaged in interstate transportation and sale, and it is further established that it, in *Interstate Natural Gas Co. v. Public Service Comm.*, 33 Fed. Supp. 50, 34 Fed. Supp. 980, success-

fully contended in the Federal Court that sales to the pipelines in question were sales in interstate commerce and beyond the reach of the State Commission. This is not to say that its success in so contending would estop it from claiming the contrary here or that the decision it obtained there is controlling here. It is to say though that the position it took and the decision it obtained give force and color to the avowed purpose of the Natural Gas Act as House and Senate Committees stated it, and that it seems clear to us that it would be difficult to find a case falling more clearly within both the purpose and the language of the act. *Cf. Missouri v. Kansas Gas Co., Public Service Comm. v. Attleboro Steam & Electric Co., supra.*. The record shows no ground for setting aside or modifying the order. The petition for its review is DENIED.

WALLER, Circuit Judge, dissenting: In order to set out my views more clearly on this controversy I shall state some facts in addition to those set forth in the main opinion.

Petitioner owns 110 producing gas wells and controls 56,555 acres of natural gas lands in the Monroe Gas Field of Louisiana. It gathers the gas from its wells and also that which it buys from other wells, and, through its own pipe lines, transports same to points within the State of Louisiana where it is delivered to interstate pipe line companies which in turn transport the gas to individual customers and to utilities in other states which then sell the gas to the ultimate consumer. It is the price received in Louisiana for gas, produced in Louisiana, gathered in Louisiana, sold in Louisiana, delivered in Louisiana, and to which all right, title, and interest passes in Louisiana, that the Commission has fixed in the order here under review.

Before the gas is transported by the interstate pipe line companies it is first compressed, and its continuous transmission is thus temporarily arrested as it is made ready for its journey in interstate transportation.

Petitioner, of course, knows that the gas which it produces, gathers, and sells will be transported by the purchasers in interstate commerce by whom it will be sold directly to the ultimate consumers or to the owners of distribution systems who will, in turn, sell it to ultimate consumers, in other states.

In another phase of Petitioner's business it transports and sells some of its gas to points in Louisiana

by a pipe line, which, however, runs through a portion of the State of Mississippi. This activity is definitely in interstate commerce, regulable, and regulated, by the Commission, but it, admittedly, is not in issue here. The appeal is from the order of the Commission reducing the selling price in Louisiana of Petitioner's gas to certain interstate pipe line companies from 7.39¢ to 4.66¢ per thousand cubic feet.

Petitioner is in no wise affiliated with any of these purchasers of its gas, as was the situation in *PEOPLES NATURAL GAS CO. v. FEDERAL POWER COMMISSION*, 127 F. 2d 153, and in *ILLINOIS GAS CO. v. PUBLIC SERVICE COMPANY*, 314 U. S. 498. In neither of those cases was the Appellant a producer of natural gas as is Petitioner in the case at bar.

The Act by its terms applies: (1) to transportation in interstate commerce of natural gas; (2) to the sale of natural gas in interstate commerce for resale for ultimate public consumption; and (3) to natural gas companies engaged in interstate transportation or sale of natural gas.

In *PHILLIPS PETROLEUM COMPANY v. OCHSNER*, 146 F. 2d 138, this Court [footnote 1] noted that under the natural gas contracts in force in the Panhandle Gas Field of Texas "the producer is required to gather the gas at the well and deliver it into the main pipe line of the pipe line company under certain required pressures, * * *." In the present case, Petitioner gathers and delivers its gas to the interstate pipe lines.

It seems that the gathering, and transporting to market, are necessary incidents to the production of gas, for there can be no sustained production unless the gas can be collected and carried to market. "Transportation and sale do not include production or gathering." *COLORADO INTERSTATE CO. v. FEDERAL POWER COMMISSION*, 324 U. S. 581, text 598.

Congress refused in the Act to confer upon the Federal Power Commission the right to regulate the production, or the power to regulate the gathering, of natural gas. The view seems to be quite reasonable that it did not undertake to regulate the gathering of natural gas because it, doubtless, recognized that gathering was a necessary incident to production—a purely local activity. We do not have here a case where the producer is admittedly regulable, whose producing and gathering facilities must be taken into account in the over-all pattern of rate making, as in *COLORADO INTERSTATE CO. v. FEDERAL POWER COMMISSION, supra*.

Without doubt, had Congress desired to exercise the full extent of its power in the regulation of interstate commerce in natural gas, it could have empowered the Commission to regulate, as isolated activities, also the production and gathering of natural gas when same is produced or gathered with knowledge that sale, shipment, and delivery in interstate commerce was intended, as it did, for example, in Sec. 15a of the Fair Labor Standards Act [Sec. 215a (1), Title 29, U. S. C.]. Congress could easily have given the Act a broader scope by conferring the power upon the Commission

to regulate any operation or movement of natural gas which might retard its commercial or industrial use, or which might otherwise adversely affect interstate commerce. It could have made the Act applicable to any facilities that *affect* interstate transportation as in the Federal Employers' Liability and Interstate Commerce Commission Acts. It could have defined interstate commerce in natural gas so as to include the production, or the gathering, of natural gas for commerce to the same purpose and extent as was done in the Fair Labor Standards Act wherein "goods produced for commerce" were placed within the coverage of the Act. Instead of doing that, Congress expressly stated that the provisions of the chapter should be applicable only to three specific situations, viz., the transportation in interstate commerce, the sale in interstate commerce for resale for ultimate public consumption, and to natural gas companies engaged in such transportation or sale. After outlining the scope of the Commission's power, Congress then set out the restrictive enactment that the Act should not apply to any other transportation or sale of natural gas nor to the local distribution of natural gas, nor the facilities used for such local distribution, nor to the production or gathering of natural gas. The Act cannot be applicable to the production and gathering of natural gas except as the valuation of its producing and gathering facilities are inherently a part of the value that must be taken into consideration in regulating rates of natural gas companies engaged in transportation and sale of gas in interstate commerce.

What is meant by a "sale in interstate commerce"? The Act contains its own definition, and there is no occasion for the Court to invent one. This feature of the Act does not appear to have received attention in the majority opinion nor in *PEOPLES NATURAL GAS CO. v. FEDERAL POWER COMMISSION*, *supra*, nor in *ILLINOIS GAS CO. v. PUBLIC SERVICE CO.*, *supra*. Sec. 717a (7), Title 15, U. S. C., defines "interstate commerce" to mean "commerce between any point in a State and any point outside thereof, or between points within the same State but through any place outside thereof, * * *." This unapplied definition presents the main point of divergence between my views and those of the majority. The sale made by the Petitioner here was not between any point in the State of Louisiana and any point outside of Louisiana. It was not a contract of sale made in Louisiana with delivery of the commodity to be in another state. The sale was made and the title passed in Louisiana. Petitioner had no further right, title, interest, or concern in such gas after the delivery to the purchaser. Nor did its interstate pipe line purchaser have any further obligation to Petitioner to carry or to safely deliver, the gas which Petitioner had delivered to it. There was no continuity of responsibility or liability for the subsequent and safe carriage of the gas as is the case in ordinary movements of commodities in interstate commerce. Petitioner had no interest in what happened to the gas after its delivery to purchaser. Delivery, which is an element of every sale, was completed in Louisiana without the use of any facilities of interstate commerce. I can see no sale in interstate commerce, as defined by the Act, made by the Petitioner. True, it made

a sale with knowledge that the gas was intended to be transported and sold by its purchaser in interstate commerce, but that is not a sale by it in interstate commerce within the coverage of the Act.

What is meant by "transportation in interstate commerce"? Under the definition of interstate commerce in the Act it can only mean the transportation from a point in Louisiana to a point outside that state in the carriage of natural gas. Petitioner is not a carrier of gas for hire such as would characterize it as a part of an interstate system of interstate transportation. Its function is analogous to that of a tram road, or dummy line, of a saw mill that locally hauls its own lumber to the common carrier.

The language of the Act that the provisions of this chapter shall apply "to natural-gas companies engaged in such transportation or sale," does not sustain the Commission's contention in the present case because the Petitioner does not sell nor transport the gas, upon which the price is sought to be regulated, except in the State of Louisiana and, therefore, is not a natural gas company under the definition in Sec. 717a(6), Title 15, U. S. C.[1] The "sale of natural gas in interstate commerce for resale" means a sale, calling for delivery across state lines, to a purchaser which resells to the ultimate consumer, as, for instance, a sale by a pipe line customer of Petitioner in Louisiana to the owner of a gas distribution system in Memphis who will in turn resell it to its consumers.

[1] "'Natural-gas company' means a person engaged in the transportation of natural gas in interstate commerce, or the sale in interstate commerce of such gas for resale." Sec. 717a(6); Title 15, U. S. C.

It seems to require an artificial conjoining of phrases, or verbal manipulation, to place into the Act this interpretation by the majority:

> [The Act] "shall not apply to the facilities used for such [i. e. local] distribution or to the production or gathering of natural gas."

The language of the Act is not that it shall not apply to "*the facilities* used for the production or gathering of natural gas", but that it "shall not apply to any other transportation or sale of natural gas or to the local distribution of natural gas or to the facilities used for such distribution or *to the production or gathering of* natural gas." "The facilities *used to* the production or *to* the gathering of natural gas" would be such an unusual or odd expression that it ought not to be ascribed to Congress. The term "facilities" can only refer to the facilities used in the local distribution of gas in cities and towns. I am unable to accept the view that the Act merely withheld from the Commission "jurisdiction over properties" or facilities of producers and gatherers.

The construction of the Act given to it by the Power Commission and the majority of this Court appears to nullify the plain intent of Congress to expect from the operation of the Act the production and the gathering of gas when the producer, gatherer, and the seller, neither transports nor sells gas in interstate commerce, and when the Act nowhere gives the Commission jurisdiction to regulate the production or the gathering and intrastate transportation of gas merely because producer or seller or gatherer knows that the purchaser of such

gas will in turn transport it in interstate commerce and sell it in another state chiefly to those who will there resell it to the ultimate consumer.

Congress had the power to have regulated both the production and the intrastate gathering of natural gas when produced and gathered with knowledge that it would be transported or sold in interstate commerce in the same fashion that it did in the Fair Labor Standards Act. But in the present Act Congress wholly failed to take over the regulation of these two phases of the industry, and, in the face of the statute and in the absence of appropriate legislation they must be deemed to be only local activities.

Natural gas must be transported to market to the same extent as any other commercial production. The gathering and transporting of gas to a place of sale is as essential to the production of gas as is the drilling of a gas well. Regulation of the production of natural gas is forbidden, but if the Commission is given the power to regulate the price which the producer and gatherer receives at the end of the intrastate journey at the pipe line of the interstate purchaser, it is also given the power to regulate production. If the price which the producer and gatherer gets for the gas which he has produced and gathered is less than it costs to produce it, production will be thereby regulated indirectly, but, withal, as effectively as if Congress had expressly conferred such authority upon the Commission.

The custom in the industry is for the producer to bring his gas to the interstate pipe line for market

The farmer, for instance, who produces cotton transports it to market where, let us assume, he has previously agreed to sell it to a New England cotton mill. He produced, gathered, and transported that cotton to market in Louisiana and even though he knew that the cotton was to be shipped to New England, he would not be engaged in the transportation or sale of cotton in interstate commerce, and, therefore, regulable, unless Congress had declared otherwise. Congress has the power to regulate enterprises which, in isolation, are purely local, provided such enterprises are determined by Congress to substantially affect interstate commerce or the free flow of goods in commerce. This Congress did not attempt to do in the statute under consideration.

Believing that courts should construe statutes instead of making them, I am unwilling to participate in writing into the Act that which Congress expressly undertook to keep out, even if by so doing a better statute would result.

JUDGMENT.

Extract from the Minutes of August 3, 1946.

Interstate Natural Gas Company, Incorporated,
versus No. 10701.
Federal Power Commission, Louisiana Public Service Commission, City of New Orleans, Louisiana, City of Baton Rouge, Louisiana.

This cause came on to be heard on the petition of Interstate Natural Gas Company, Incorporated, for a review of the order of the Federal Power Commission, entered April 27, 1943, in consolidated proceedings entitled: "Louisiana Public Service Commission, Complainant, v. Interstate Natural Gas Company, Incorporated, defendant, Docket No. G-132", and "In the Matter of Interstate Natural Gas Company, Incorporated, Docket No. G-149", and was argued by counsel;

On consideration whereof, it is now here ordered, adjudged and decreed by this Court that the petition of Interstate Natural Gas Company, Incorporated, for its review be, and the same is hereby, denied.

"Waller, Circuit Judge, dissents."

ORDER EXTENDING TIME TO FILE REHEARING.

Extract from the Minutes of August 21, 1946.

Interstate Natural Gas Company, Incorporated,
versus No. 10701.
Federal Power Commission, Louisiana Public Service Commission, City of New Orleans, Louisiana, City of Baton Rouge, Louisiana.

It Is Ordered By The Court that the time in which to file applications for rehearing from the decree rendered herein on August 3, 1946, be and the same is hereby extended as to all interested parties up to and including the 7th day of September, 1946.

(Signed) J. C. HUTCHESON, JR.,
United States Circuit Judge.

August 21, 1946.

PETITION FOR REHEARING.

Filed September 5, 1946.

IN THE
UNITED STATES CIRCUIT COURT OF APPEALS
FOR THE FIFTH CIRCUIT.

No. 10701.

INTERSTATE NATURAL GAS COMPANY, INCORPORATED.

Petitioner,

versus

FEDERAL POWER COMMISSION, LOUISIANA PUBLIC SERVICE COMMISSION, CITY OF NEW ORLEANS, LOUISIANA, CITY OF BATON ROUGE, LOUISIANA,

Respondents.

Petition for Review of an Order of the Federal Power Commission, Washington, D. C.

PETITION FOR REHEARING.

Comes now Interstate Natural Gas Company, Incorporated, petitioner herein, and respectfully petitions this Court for a rehearing, reconsideration and vacation of the

opinion and judgment entered pursuant thereto on August 3, 1946.

In holding that the sales of natural gas made by petitioner from its production and gathering system to three pipe line companies in the Monroe Field are sales in interstate commerce for resale within the provisions and meaning of the Natural Gas Act, this Court has misconstrued the plain provisions of the Act, has added by judicial construction a meaning never intended by Congress, has confused the facts of petitioner's pipe line operations with its field sales made and completed within Louisiana, and has disregarded certain important factors bearing upon the correct interpretation of the legislative intent.

In refusing to inquire into or examine the facts which petitioner claims establish the unjustness and unreasonableness of the rate of 4.66¢ for its field sales, the Court has denied to petitioner the judicial review to which it is entitled under Section 19(b) of the Act.

The reasons and grounds which justify a rehearing herein are as follows:[1]

1. In stating that:

> "On the jurisdictional point, we think the language employed in the bill as it finally passed, 'The provisions of this act shall apply . . . to the sale in interstate commerce of natural gas for resale for ultimate public consumption, and to natural gas companies engaged in such transportation or sale' leaves in no doubt that the sales in question are within its purview." (p. 4.)

[1] References to pages of the Court's print of the opinion are made thus: (p. . . .)

The Court wholly disregarded the provisions of Section 1 (a) and the definition of interstate commerce in Section 2 (7) of the Act, and by so doing expanded the application of the Act to a type of sale not intended by Congress to be price regulated. This constitutes judicial legislation and is prejudicial error.

2. Although finding that the sales in question were made in the Monroe Field (p. 2), which means that they are in fact completed intrastate transactions in Louisiana, and not holding that the gas so sold was actually transported in interstate commerce by petitioner prior to sale, nevertheless the Court states:

> "That they are sales in interstate commerce, we think is settled by the authorities." (p. 4.)

Neither of the cases relied on involved a sale in the field and completed in the State of origin prior to transportation to another State. The Court has misconceived the true holding of these cases and has misapplied them to sales completed in Louisiana preceding transportation in interstate commerce. The Court's holding is not the law under the Natural Gas Act.

3. Having erroneously interpreted the affirmative jurisdictional provisions of the Act to include the field sales in question, the Court further erred in holding unavailable to petitioner the exception of the statute that it shall not apply to any other sale of natural gas (p. 5).

4. The Court erred in refusing to give full force and effect to the exception of Section 1 (b) with respect to

production and gathering, and in holding that such exception did not apply to the field sales made and completed by petitioner within the producing field from its production and gathering system prior to any transportation in interest commerce, and in concluding:

> "There is no warrant in the act for so doing." (p. 5.)

5. That portion of the opinion which reads:

> "Unnecessarily perhaps but in the interest of making clear that the act gave jurisdiction only over sales and transportation of the kind described in it, it used language removing from any doubt that the Commission was not to have jurisdiction over properties used for production and local distribution or the activities of production and gathering." (pp. 5-6.)

incorporates into the statute words that are not there, since the words "properties" or "facilities" are not used in reference to production or gathering. Such interpretation is unjustified, is contrary to the plain language of the statute, and indicates a misconception by the Court as to the true meaning of the production and gathering exclusion.

6. The Court has erroneously applied the holding in the opinion in *Canadian River Gas Company v. Federal Power Commission*, 324 US 581. No sale from the producing or gathering system was there involved and the meaning petitioner contends for here was not before the Supreme Court. The use of the *Canadian* case as a justification for rejecting petitioner's argument indicates a misconcep-

tion by the Court of the language quoted and results in a ruling that is not the law of the *Canadian* case.

7. The Court erred in refusing to give any weight whatsoever to the legislative history of prior bills considered by congressional committees, although all of such bills left production and gathering free from regulation, and such bills were a part of a continuous consideration of the proposed regulation of transportation and sale in interstate commerce of natural gas. The Court misunderstood the correct sequence of events and treated the bill which was enacted into law as something contrary to the previous proposals respecting production or gathering. This appears from the Court's statement that the legislative history of a bill that was not adopted "cannot be resorted to to construe a bill that was". (p. 7.)

8. The statement in the opinion:

> "It is quite plain that from the time the Lea Bill was introduced until the Natural Gas Act was passed, the ideas of the proponents of the legislation underwent considerable change." (p. 7.)

is a misstatement as to the character of sales here involved and as to the production or gathering of gas. The Court is in fact saying that the intent of Congress originally was to exclude sales made from production and gathering systems and finally was to authorize such sales to be regulated. This is not the fact. Any changes in the ideas of the proponents related solely to the interstate transportation of gas and to sales made after such transportation. Neither in the enacted law nor in any

preceding bill was there any intent to regulate sales from producing or gathering systems. Nothing occurred subsequent to H. B. 11662 to show an intent to include production or gathering under regulation. The failure of the Court to realize this continuity of intent has misled the Court to the erroneous conclusions in its opinion.

9. The misunderstanding of the Court of the facts of the legislative history, and the misapplication of the statute to the sales in question, is emphasized by this statement:

> "Its proponents were not interested in the production of gas or the individual sales of gas at the well. Nor were they interested in gathering of the gas in the field." (p. 7.)

Whether the sale be made at the well or after the gas is gathered from the well the same intent of exclusion is in the law, and the Court erred in failing to apply the intent here stated to petitioner's sales.

The Court next makes this statement:

> "What they were interested in, as the report in terms states, what they were trying to reach, was wholesale sale of gas." (pp. 7-8.)

This shows confusion as to the true intent of the legislation since patently "individual sales of gas at the well" are of a necessity wholesale sales unless consumed by the purchaser.

10. The Court has confused the character of sales made by petitioner in the field with sales made after trans-

portation of the gas through the trunk lines radiating from the Monroe Field. This is clear from the language wherein the Court says:

> "It is conceded that Interstate is a natural gas company engaged in interstate transportation and sale, and it is further established that it, in *Interstate Natural Gas Co. v. Public Service Comm.*, 33 Fed. Supp., 50, 34 Fed. Supp. 980, successfully contended in the Federal Court that sales to the pipelines in question were sales in interstate commerce and beyond the reach of the State Commission." (pp. 8-9.)

This evidences a misunderstanding of the concession of petitioner which relates not to the sales here involved but to its trunk pipe line extending to Baton Rouge, and to sales made from that line to distributing companies for resale which admittedly are subject to the Commission's jurisdiction. The sales sought to be held free from price control are in fact made and completed as intrastate transactions, and are not within the grant of authority under the Act.

11. The Court has denied any review whatsoever to petitioner's claim that the rate order in its impact upon petitioner's production and gathering system is unjust, unreasonable and arbitrary, thereby denying to petitioner its right to judicial review under Section 19 (b) of the Act. The Court's refusal to consider the evidence showing the unjustness and unreasonableness of the 4.66¢ rate seems to be based on the erroneous conception that the rates fixed for sales of gas from petitioner's main pipe line not involved in this proceeding have some relation-

ship to the rate of 4.66¢ and must be considered in passing upon the lawfulness of that rate. This appears from the following portions of the opinion:

(a) The Court states:

> "Disposing first of the question of compensation, we need not inquire whether, if it stood alone, the rate allowed would be confiscatory." (p. 4.)

The rate of 4.66¢ is the only rate order made for field sales and must be considered alone because no other rate is involved or related to it. Rates fixed for sales from petitioner's pipe line contained no surplus allowance to be credited to the 4.66¢ rate.

(b) The Court apparently assumes (p. 3) that the rates fixed by the Commission for sales of gas made from petitioner's pipe line and the rate of 4.66¢ were related, which is not the fact.

(c) The Court states that "the rate order must be viewed in its entirety" (p. 4), yet failed to give any consideration to the facts respecting all the elements affecting the rate of 4.66¢.

(d) Although quoting from Supreme Court decisions which require judicial inquiry into the total effect of the rate order, nevertheless the Court made no inquiry into, and no finding of, facts respecting the prices of gas paid to others, and to other prevailing prices for similar sales in the Monroe Field.

(e) The Court has made no finding that the impact of this rate order on the producing and gathering property of petitioner is not unjust and unreasonable and has given no consideration to the real and confiscatory impact on petitioner's producing and gathering property as shown by actual prices paid in the Monroe Field representing the market value of natural gas sold there.

Wherefore, Interstate Natural Gas Company, Incorporated, prays that the opinion herein be withdrawn, the judgment vacated, and upon rehearing, this Court enter judgment reversing the order of the Federal Power Commission.

Respectfully submitted,

WILLIAM A. DOUGHERTY,
ALDEN T. SHOTWELL,
HENRY P. DART, JR.,
HENRY GRADY PRICE,
Attorneys for Petitioner.

September, 1946.

CERTIFICATE OF COUNSEL.

I, Henry Grady Price, one of counsel for the above-named petitioner, Interstate Natural Gas Company, Incorporated, do hereby declare and certify that the foregoing petition for rehearing is presented in good faith and not for delay.

HENRY GRADY PRICE.

PETITION OF AMICUS CURIAE FOR REHEARING.

Filed September 5th, 1946.

IN THE
UNITED STATES CIRCUIT COURT OF APPEALS
FOR THE FIFTH CIRCUIT.

No. 10,701.

INTERSTATE NATURAL GAS COMPANY, INCORPORATED, a Corporation,

Petitioner,

versus

FEDERAL POWER COMMISSION, LOUISIANA PUBLIC SERVICE COMMISSION, CITY OF NEW ORLEANS, LOUISIANA, CITY OF BATON ROUGE, LOUISIANA,

Respondents.

On Writ of Certiorari to the United States Circuit Court of Appeals for the Fifth Circuit.

PETITION FOR REHEARING BY INDEPENDENT NATURAL GAS ASSOCIATION OF AMERICA, A CORPORATION, AMICUS CURIAE.

Independent Natural Gas Association of America, a corporation, hereinafter referred to as the "Association", *Amicus Curiae* herein, hereby respectfully petitions this Court for rehearing, reconsideration and vacation of its opinion herein under date of August 3, 1946, and the judgment entered pursuant thereto.

This Association represents in its membership a large number of persons and corporations engaged in the production and gathering of natural gas and the sale thereof in the State of origin to others, many of whom transport and sell such natural gas so purchased in interstate commerce for resale. Accordingly, the proper determination and settlement of the issue of Commission jurisdiction over such field sales of natural gas, *presented in this record*, is of transcendent importance not only to the members of this Association but also to all other producers and gatherers of natural gas throughout the gas-producing areas in the United States.

The substantial issues of fact and principles of law misconceived and erroneously decided or disposed of by this Court in its opinion herein, as appears from examination of the record herein, the Commission order, the Natural Gas Act and the controlling judicial decisions and pronouncements relating thereto, are as follows:

I.

This Court *(Court Print of Opinion, pp. 4-5)*, in its disposal of the issue as to whether the complete and outright sales and deliveries made by petitioner, Interstate Natural Gas Company, locally in the Monroe Gas Field within the State of Louisiana to the three pipeline companies, Mississippi River Fuel Corporation, Southern Natural Gas Company and United Gas Pipe Line Company, for the account of Memphis Natural Gas Company) are subject to the rate-regulatory authority and jurisdiction of the Commission, declared:

> *"On the jurisdictional point, we think the language employed in the bill as it finally passed,* 'The provisions of this act shall apply * * * to the sale in interstate commerce of natural gas for resale for ulti-

mate public consumption, and to natural gas companies engaged in such transportation or sale' *leaves in no doubt that the sales in question are within its purview. That they are sales in interstate commerce, we think is settled by the authorities.*" (Citing in suport thereof: *"Missouri v. Kansas Gas Co.*, 265 U. S. 298; *Public Service Comm. v. Attleboro Steam & Elec. Co.*, 273 U. S. 83." (Emphasis added.)

The Court in its opinion herein thus does not disclose why or how, on the record herein, *Interstate Natural Gas Company*, in making the local Monroe field sales in question to the three interstate pipeline companies, is itself engaged, *in fact*, in "transporting and selling natural gas in interstate commerce" *(Court Print of Opinion, p. 5)* for resale, under the terms and within the purpose and meaning of the Natural Gas Act. The opinion, in reality, is a succession of such factual conclusions and legal generalizations, unattended by any examination of the record or of the findings of the Commission or by any exposition showing the controlling relevance of the *Kansas Gas Company* and the *Attleboro Steam & Electric Company* cases which this Court contends are decisive and authoritative here.

The "shall not apply to any other transportation or sale of natural gas" command of the statute is rejected by this Court on the easy assumption that every operation and activity *which Congress in any way could have incorporated into the concept of "interstate commerce"* was so incorporated into the Natural Gas Act, as a part of the plan of Federal regulatory utility control. The Court also failed herein to recognize the actual and specific problem posed by the cases above referred to, which problem was highlighted throughout all Congressional hearings on Federal utility regulation, during the years 1935 to 1938, as

the objective of Congressional legislation on the subject. That problem and the issue of jurisdiction herein presented are wholly dissimilar in fact and in principle. The attached Memorandum Brief discloses this essential dissimilarity.

II.

The statement of this Court *(Court Print of Opinion, p. 5)* "Here the statute was drawn to regulate, it picked out for inclusion 'sales in interstate commerce of natural gas for resale for ultimate public consumption.'" This generalized statement similarly ignores the uncontroverted evidence in the record in this case, that petitioner, Interstate Natural Gas Company, *in fact* is not a participant in any degree in any transportation or sale in interstate commerce for resale of the natural gas here in question. This Court's conclusion that petitioner is a participant, as a matter of law, in the interstate transportation and sales for resale by the three purchasing pipeline companies, ignores entirely the patent record facts. No explanation or disclosure is forthcoming from this Court as to how the petitioner herein is found to be such participant, in the *subsequent* interstate transportation and sales for resale activities *of the three pipeline purchasers* from petitioner in the Monroe Field. This Court does not comment upon and adopt or reject the Commission finding of jurisdiction, predicated *solely* upon the real or supposed fact of a continuous and "constant flow from the mouths of the wells" into the channels of interstate commerce, for which commerce, according to the finding of the Commission, "said gas is so destined from the moment of its production" *(R. V. 1, pp. 82-83)*. Such continuous and constant flow, so-called, is not the foundation, quality or measure of Commission regulatory jurisdiction *within* the meaning of the Act, *as enacted*, or as construed and applied by the Supreme Court of the United States.

III.

The statement of this Court *(Court Print of Opinion, p. 6)*:

> "In *Peoples Natural Gas Co. v. Federal Power Comm.*, 27 F. (2) 153, the court found that a sale in Pennsylvania to an interstate pipeline company which immediately transported it to New York was a sale of natural gas in interstate commerce for resale, and, so finding, held that the provision that the act did not apply to production or gathering did not limit the commission's jurisdiction over such sales." (Citing *"Missouri v. Kansas Gas Co.; Public Service Comm. v. Attleboro Steam & Electric Co., supra.")*

is not authority supporting the Court's disposition of the jurisdictional issue presented in this case, in that:

The Peoples Natural Gas Company and the "interstate pipeline company" there involved, the New York State Natural Gas Corporation, were affiliate companies and constituted a single enterprise, whereas petitioner is not affiliated or associated in any way except as vendor with any of the three purchasing pipelines to which it makes the Monroe field sales here in question. Likewise in the *Kansas Gas* and *Attleboro* cases cited, the *interstate transportation* and the subsequent sale and delivery in the state of destination were all part of the operations of a single company or of a single company and its controlled subsidiary.

IV.

The reference to *(Court Print of Opinion, pp. 5-6)* and quotation from the *Canadian River Gas* case, 324 U. S. at pp. 602-3, *(Court Print of Opinion, p. 6)* overlooks and dis-

regards the fact that the asserted holding of the Supreme Court relied upon did not and does not constitute an authoritative pronouncement of that Court, for the reason that *the views and conclusions therein expressed* by Mr. Justice Douglas were concurred in *only* by himself and Justices Black, Murphy and Rutledge, a minority of that Court.

V.

This Court concludes its opinion with the following *(Court Print of Opinion, pp. 8-9)*:

> "* * * It is conceded that Interstate is a natural gas company engaged in interstate transportation and sale, and it is further established that it, in *Interstate Natural Gas Co. v. Public Service Comm.*, 33 Fed. Supp. 50, 34 Fed. Supp. 980, successfully contended in the Federal Court that sales to the pipelines in question were sales in interstate commerce and beyond the reach of the State Commission. This is not to say that its success in so contending would estop it from claiming the contrary here, or that the decision it obtained there is controlling here. *It is to say though that the position it took and the decision it obtained give force and color to the avowed purpose of the Natural Gas Act as House and Senate Committees stated it*, and that it seems clear to us that it would be difficult to find a case falling more clearly within both the purpose and the language of the act. *(Cf. Missouri v. Kansas Gas Co., Public Service Comm. v. Attleboro Steam & Electric Co., supra.)*" (Emphasis added.)

The foregoing is not responsive to the issue of jurisdiction presented on the facts of this record or to the law applicable to that issue, in that:

The fact that, *aside from the local field sales here in question*, "Interstate is a natural gas company engaged in interstate transportation and sale" for resale does not make such local field sales subject to the rate-regulatory authority of the Federal Power Commission.

The fact that *the local field sales here in question* might affect interstate commerce, or that Congress might have fastened them into interstate commerce by the concept of continuous flow of commerce, does not make such local field sales a part of interstate commerce within the terms and scope of the Natural Gas Act, *as enacted*.

The fact that petitioner, among other things, "successfully contended in the Federal Court that sales to the pipelines in question were sales in interstate commerce and beyond the reach of the State Commission" did not and does not establish and fix the scope and coverage of the Natural Gas Act, which admittedly does not include all rate-regulatory authority which is beyond State jurisdiction. Moreover, the construction of the Natural Gas Act was not involved in any degree or at all in the litigation (1940) referred to by this Court.

It is not a fact or a permissible conclusion of law that "the position it (petitioner) took and the decision it obtained *give force and color* to the avowed purpose of the Natural Gas Act as House and Senate Committees stated it," and presumably to the Act itself as the Congress enacted it. Neither estoppel nor quasi-estoppel can confer or even "give force and color" of subject-matter jurisdiction under law, with respect to this *Amicus Curiae* or any other person. Moreover, the coverage of the Act, as reflected by its terms and its legislative history, became fixed in *1938*, not in 1940.

The statement of this Court "* * * it would be difficult to find a case falling more clearly within both the purpose (i. e. to provide for the regulation of natural gas

companies transporting and selling natural gas in interstate commerce,' *(Court Print of Opinion, p. 7)* and the language of the Act" (i. e. "The provisions of this Act shall apply to the transportation of natural gas in interstate commerce, to the sale in interstate commerce of natural gas for resale * * * but shall not apply to any other transportation or sale * * *" *(Sec. 1(b)* of the Act) overlooks and disregards the one and only question in this case: *Under the terms, and within the meaning of the Act,* is *the petitioner* in making *the local field sales here involved,* "transporting and selling natural gas in interstate commerce"? Concededly the three purchasing pipeline companies do engage in "transporting and selling natural gas in interstate commerce," *after* the respective Monroe Field purchases by them of the natural gas here involved. But, other than by generalized conclusion, the opinion of this Court does not identify petitioner as an actual or legal participant in such subsequent interstate activities of the three pipeline companies. There is no disclosure in the opinion as to the basis upon which the Court's conclusion of participation therein by the petitioner herein is rested or can be maintained *on the facts of this record,* under the terms of the Act.

VI.

This Court, in and by its opinion herein *(Court Print of Opinion, pp. 4-5, 5-6, 7-8, 9)* has made findings of its own, in the absence of findings by the Commission and also in substitution of findings which in fact were made by the Commission, in that:

The Commission rested its order herein *solely on specific findings* of an established course of business between petitioner locally in the Monroe Field and the three non-affiliated pipeline companies involving, so it is said, "a constant flow from the mouths of the wells" into the channels of interstate commerce *(R. V. 1, pp. 82-83).*

This Court, on the other hand, rested its opinion and judgment herein on *the facts assumed by it to be involved and the principles of law applicable thereto*, in the cases of *Missouri v. Kansas Gas Co.*, 265 U. S. 298, *Public Utilities Comm. v. Attleboro Steam & Electric Co.*, 273 U. S. 83, and *Peoples Natural Gas Co. v. Federal Power Comm.*, 127 F. (2d) 153. Neither the facts involved nor the law declared in any of such cases are consonant with the record or the Commission order herein.

None of such cases declared or involved the concept of the continuous or "constant flow" of a commodity from the point of its production into the channels of interstate commerce, upon which, and upon which alone, the Commission order herein must stand or fall.

This Court thus has exceeded the authority delegated to it by *Section 19(b)* of the Act (*Colorado-Wyoming Gas Co. v. Federal Power Comm.*, 324 U. S. 626, 634, 65 S. Ct. 850, 854).

VII.

This Court, in its opinion herein, has overlooked and disregarded, with respect to the jurisdictional issue herein presented, the controlling authority of the case of *Connecticut Light & Power Co. v. Federal Power Comm.*, 324 U. S. 515, 65 S. Ct. 749, as the *enacted* scope of Federal rate-regulatory authority over electric and natural gas utility companies and operations. This Court may not so do, in the proper discharge of its judicial functions.

This Court throughout its opinion herein nevertheless has assumed that Congress, in the Natural Gas Act, provided that the sale of natural gas *intrastate*, locally in the gas field where produced, to a non-affiliated interstate pipeline for subsequent interstate transportation and sale for resale *by such purchaser*, constitutes transportation and sale for resale in interstate commerce also *by the local*

field seller to such interstate pipeline. Such is not the force and effect of *Section 1(b)* of the Act, and was not the intention of the Congress in the enactment thereof, as is expressly and specifically disclosed by comparison of the pattern of Federal rate-regulatory control of *both natural gas and electric utility companies*, as drafted and as proposed by the Federal Power Commission and as actually authorized by the Congress.

Wherefore, Independent Natural Gas Association of America prays that oral argument be granted upon petition for rehearing herein, that the opinion herein be withdrawn, judgment vacated and upon rehearing this cause be remanded to the Federal Power Commission for further proceedings conformable to the facts, to the Natural Gas Act and other controlling law.

Respectfully submitted,

DONALD C. McCREERY,
LEE, SHAW & McCREERY,
Attorneys for Independent Natural Gas Association of America, *Amicus Curiae*.

CERTIFICATE OF COUNSEL.

I, Donald C. McCreery, one of counsel for the above-named *Amicus Curiae*, Independent Natural Gas Association of America, do hereby declare and certify that the foregoing Petition for Rehearing is presented in good faith and not for delay.

DONALD C. McCREERY.

ORDER DENYING REHEARING.

Extract from the Minutes of October 1st, 1946.

Interstate Natural Gas Company, Incorporated,
versus No. 10701.
Federal Power Commission, Louisiana Public Service Commission, City of New Orleans, Louisiana, City of Baton Rouge, Louisiana.

As neither of the judges who concurred in the judgment of the Court in the above numbered and entitled cause is of the opinion that the petition for rehearing should be granted, it is ordered that the said petition be, and the same hereby is DENIED.

"Waller, Circuit Judge, dissents."

CLERK'S CERTIFICATE.

United States of America,
United States Circuit Court of Appeals, Fifth Circuit.

I, OAKLEY F. DODD, Clerk of the United States Circuit Court of Appeals for the Fifth Circuit, do hereby certify that the pages numbered from 909 to 948 next preceding this certificate contain full, true and complete copies of all the pleadings, record and entries and proceedings, including the opinion of the United States Circuit Court of Appeals for the Fifth Circuit, in a certain cause in said Court, numbered 10701, wherein Interstate Natural Gas Company, Incorporated, is petitioner, and Federal Power Commission, Louisiana Public Service Commission, City of New Orleans, Louisiana, City of Baton Rouge, Louisiana, are respondents, as full, true and complete as the originals of the same now remain in my office.

I further certify that the pages of the printed record, Volumes I and II, numbered 1 to 908 are identical with the printed record upon which said cause was heard and decided in the said Circuit Court of Appeals.

In testimony whereof, I hereunto subscribe my name and affix the seal of the said United States Circuit Court of Appeals, at my office in the City of New Orleans, Louisiana, in the Fifth Circuit, this 19th day of October, A. D. 1946.

OAKLEY F. DODD,
(Seal) Clerk of the United States Circuit Court of Appeals, Fifth Circuit,
By E. WENDLING,
Deputy Clerk.

SUPREME COURT OF THE UNITED STATES, OCTOBER TERM, 1946

No. 733

ORDER ALLOWING CERTIORARI—February 10, 1947

A petition for rehearing having been submitted in this case;

Upon consideration thereof, it is ordered by this Court that the petition for rehearing be, and the same is hereby, granted.

It is further ordered that the order of January 6, 1947, denying certiorari, be, and the same is hereby, vacated; and that the petition for writ of certiorari herein be, and the same is hereby, granted limited to Questions (1), (2), and (3) presented by the petition for the writ.

It is further ordered that the duly certified copy of the transcript of the proceedings below which accompanied the petition shall be treated as though filed in response to such writ.

IN THE

Supreme Court of the United States

OCTOBER TERM 1946.

No.

INTERSTATE NATURAL GAS COMPANY, INCORPORATED, a corporation,

Petitioner,

versus

FEDERAL POWER COMMISSION, LOUISIANA PUBLIC SERVICE COMMISSION, CITY OF NEW ORLEANS, LOUISIANA, and CITY OF BATON ROUGE, LOUISIANA,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE FIFTH CIRCUIT AND BRIEF IN SUPPORT THEREOF.

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SUBJECT INDEX.

	PAGE
PETITION FOR REHEARING	1-17
Opinions Below	2
Jurisdiction	2
Statute Involved	3
Questions Presented	3
Statement	5
The Circuit Court's Decision	5
Petitioner's Field Operations and Sales	6
The Facts of Confiscation	9
Petitioner's Other Operations	10
Reasons for Granting the Writ	11
The Circuit Court has decided Federal questions under the Natural Gas Act in a way probably in conflict with applicable decisions of this Court	14
The Circuit Court has so far departed from the accepted and usual course of judicial procedure as to call for an exercise of this Court's power of supervision	15
Conclusion	17
BRIEF	18-42
I.—Opinions Below	18
II.—Jurisdiction	18
III.—Statement of the Case	18
IV.—Specification of Errors to be Urged	18
V.—Argument	19-42
(1) The sales of natural gas made by petitioner from its production and gathering system by Mississippi Fuel, Southern Natural and Memphis Natural are not subject to the jurisdiction of the Commission, not being sales of natural gas in interstate commerce	19

SUBJECT INDEX—(Continued)

PAGE

BRIEF—(Continued):
V.—Argument—(Continued):
(2) The exemption of production and gathering by Section 1 (b) of the Act excludes the application of Section 5 (a) to petitioner's sales 26
The Legislative History 27
The Enactment of the Natural Gas Act 28
(a) Bill Proposed in 1936—Lea Bill .. 28
(b) The Controlling Explanation Given at the Hearings on H. R. 11666 .. 28
(c) The Revised Natural Gas Bill of 1936—H. R. 12680 35
(d) The Completed Bills of 1937 and Final Passage 36
(e) Explanatory Statement made in the Congressional Debates 37
(f) Conclusions as to Legislative History 40
(3) The Issue of Confiscation and the Failure of the Circuit Court to afford petitioner a judicial review thereon 40
VI.—Conclusion 42

APPENDIX A 43-46

TABLE OF CITATIONS.

Statutes.

Judicial Code, § 240 (a) 3
Natural Gas Act; Act of June 21, 1938, Ch. 556 3
§ 1 ..... 4, 14
§ 1 (a) 21

TABLE OF CITATIONS—(Continued)

Statutes—(Continued)

	PAGE
§ 1 (b)	4, 6, 12, 15-16, 20
§ 2 (7)	4, 14, 20
§ 5 (a)	3, 5, 6
§19 (a)	3, 5

Miscellaneous.

George Washington Law Review, vol. 14, No. 1, pp. 217 et seq. 12

Official Report.

Congressional Record, vol. 81, p. 8625, (part 6, p. 6721) 37
Congressional Record, vol. 81, p. 8677, (part 6, p. 6723) 38
Congressional Record, vol. 81 (11981) (part 8, p. 9312) 38
Record of Hearings, H. R. 11662 29
ibid p. 9 29
ibid p. 24 31
ibid p. 28 32
ibid p. 32 33
ibid pp. 42-43 36

Decisions.

California v. Thompson, 313 U. S. 109, 85 L. ed. 1219 15
Canadian River Gas Co. v. Federal Power Commission, 324 U. S. 581, 89 L. ed. 1206 ..... 10, 16, 27
Champlin Refining Co. v. Corporation Commission, 286 U. S. 210, 76 L. ed. 1062 22
Columbian Fuel Corporation, In re, 2 F. P. C. 200, 35 PUR (NS) 3 11

TABLE OF CITATIONS—(Continued)

Decisions—(Continued)

PAGE

Connecticut Light & Power Co. v. Federal Power Commission, 325 U. S. 515, 89 L. ed. 1150 16
Coverdale v. Arkansas-Louisiana Pipe Line Co., 303 U. S. 604, 82 L. ed. 1043 23
Currin v. Wallace, 306 U. S. 1, 83 L. ed. 441 24
Dahuke-Walker Mill Co. v. Bondurant, 257 U. S. 282, 66 L. ed. 239 15
Federal Power Commission v. Hope Natural Gas Co., 320 U. S. 591, 88 L. ed. 333 16
Hope Natural Gas Co. v. Hall, 274 U. S. 284, 71 L. ed. 1049 15
Illinois Natural Gas Co. v. Central Illinois Public Service Co., 314 U. S. 498, 86 L. ed. 371 24
Lencke v. Farmers Grain Co., 258 U. S. 50, 66 L. ed. 458 15
Missouri v. Kansas Gas Co., 265 U. S. 298, 68 L. ed. 1027 .... 14, 19
Milk Control Board v. Eisenberg Co., 306 U. S. 346, 83 L. ed. 752 .... 15, 22
Public Service Commission v. Attleboro Steam & Electric Co., 773 U. S. 83, 71 L. ed. 549 .... 14, 19
P. U. C. v. United Fuel Gas Co., 317 U. S. 456, 87 L. ed. 369 25
Railroad Commission of Texas v. Rowan & Nichols, 310 U. S. 573, 84 L. ed. 1368 22
Shafer v. Farmers Grain Co., 768 U. S. 189, 69 L. ed. 909 15
Superior Oil Co. v. State of Miss., 280 U. S. 390, 74 L. ed. 504 15
Townsend v. Yoemans, 301 U. S. 441, 81 L. ed. 1210 15
Treasury of Indiana v. Wood Preserving Corp., 313 U. S. 62, 85 L. ed. 1188 .... 15, 22
United States v. Rock Royal Co-op., 307 U. S. 533, 83 L. ed. 1446 24

IN THE

SUPREME COURT OF THE UNITED STATES

October Term, 1946

No. .....

INTERSTATE NATURAL GAS COMPANY, INCORPORATED, a corporation,
Petitioner,

versus

FEDERAL POWER COMMISSION, LOUISIANA PUBLIC SERVICE COMMISSION, CITY OF NEW ORLEANS, LOUISIANA, and CITY OF BATON ROUGE, LOUISIANA,
Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE FIFTH CIRCUIT.

To the Honorable the Chief Justice and the Associate Justices of the Supreme Court of the United States:

Interstate Natural Gas Company, Incorporated, a Delaware corporation (hereinafter referred to as "petitioner" or "Interstate Company"), prays for a writ of certiorari

to review the final judgment of the United States Circuit Court of Appeals for the Fifth Circuit (hereinafter referred to as "Circuit Court") entered in the above cause on August 3, 1946 (R. II. 928),[1] rehearing denied October 1, 1946 (R. II. 948), denying the petition for review of and affirming an order of the Federal Power Commission (hereinafter referred to as "Commission") issued under the Natural Gas Act (hereinafter sometimes referred to as the "Act"), by which order said Commission (i) assumed jurisdiction over certain sales of natural gas made by petitioner from its production and gathering system in the producing field, (ii) found that the rates charged for such sales were unjust and unreasonable, and (iii) ordered a reduction of the rate per M. c. f., based on the test year of 1941, from the average contract price of 7.39¢ to 4.66¢, a total reduction of $596,320.

OPINIONS BELOW.

The opinion of the majority of the Circuit Court (R. II. 910) and the dissent thereto (R. II. 919) are officially reported in 156 Fed. (2d) 949. The opinion of the Commission (R. I. 57-80) is reported in 3 FPC 416, 48 PUR (NS) 267.

JURISDICTION.

The judgment of the Circuit Court was entered August 3, 1946 (R. II. 928). Petition for rehearing was season-

[1] There are two volumes of the Record. References to the volumes and page will thus be made.

ably filed and was denied on October 1, 1946 (R. II. 948). The order of the Commission was issued April 27, 1943 (R. I. 81), petition for rehearing was filed May 18, 1943 (R. I. 93), was denied on June 9, 1943 (R. I. 100), and the petition for review was filed in the Circuit Court on June 14, 1943 (R. I. 19). A stay order was issued that same day (R. I. 20).

The jurisdiction of this Court is invoked under Section 19(b) of the Natural Gas Act (52 Stat. 821; Title 15, U. S. C. A., Sec. 717r(b)) and Section 240a of the Judicial Code as amended by the Act of February 13, 1925 (Title 28, U. S. C. A., Sections 346 and 347).

STATUTE INVOLVED.

The statute involved is the Natural Gas Act, approved June 21, 1938 (Public Act No. 688, 75th Congress, Chapter 556, 3rd Session; 52 Stat. 821; 15 U. S. C. A. §717). The pertinent provisions thereof are set forth in Appendix A, *infra*.

QUESTIONS PRESENTED.

(1) Does the rate-fixing section of the Act (Section 5(a), 15 U. S. C. A. Section 717d(a)) apply to, and does the Commission under said Act have jurisdiction to regulate the sales prices of natural gas which is produced or purchased within the same producing field in the State

of Louisiana, is gathered from the wells, and before actual transportation in interstate commerce begins is delivered from the field gathering system and sold in Louisiana to pipe line companies at their large compressor stations in the producing field in Louisiana, at which stations title passes and all control by petitioner ends, and after which such gas is compressed by the purchasers and pumped at high pressures through the purchasers' lines to points of delivery outside the State of Louisiana where the natural gas is sold for resale by said purchasers?

(2) Are the sales referred to in question (1) above "sales in interstate commerce" within the provisions and meaning of Sections 1 and 2(7) of the Act (15 U. S. C. A. Sections 717, 717a(7)) or are such sales local transactions not intended by Congress to be price-regulated by the Commission?

(3) Are the sales referred to in questions (1) and (2) above sales to which the provisions of the Act do not apply by reason of the exception contained in Section 1(b) of the Act (15 U. S. C. A. Section 717(b)) providing that:

> "The provisions of this Act . . . shall not apply to . . . the production or gathering of natural gas."

(4) Is the order of the Commission reducing the average contract price of the sales of natural gas referred to in questions (1), (2) and (3) above from 7.39¢ to 4.66¢ per M. c. f. arbitrary and unreasonable, and does the order result in confiscation of petitioner's producing and gathering property under the facts and circumstances of

this case and deprive petitioner of its property without due process of law contrary to the Fifth Amendment to the Constitution of the United States?

STATEMENT.

The Circuit Court's Decision:

The judgment of the Circuit Court, review of which is sought by this Honorable Court, was entered in a review proceeding brought by petitioner under Section 19(b) of the Natural Gas Act (15 U. S. C. A. 717r(b)) for the purpose of reversing an order of the Commission entered in a rate investigation instituted against petitioner pursuant to Section 5(a) of the Act (15 U. S. C. A. 717d(a)). The Circuit Court, Judge Waller dissenting, denied the petition for review, thus affirming the Commission's opinion and order which found that sales of natural gas made by petitioner from its producing and gathering system in the Monroe Field in Louisiana to Mississippi River Fuel Corporation [2] at the latter's compressor station, to Southern Natural Gas Corporation [2] at its compressor station, and to United Gas Pipe Line Company for account of Memphis Natural Gas Company [2] at Memphis' compressor station, all such stations being located in Louisiana within the limits of the producing field, were sales of natural gas in

[2] These purchasing pipe line companies will be referred to respectively as Mississippi Fuel, Southern Natural and Memphis Natural. Mississippi Fuel's pipe line extends through Arkansas to the vicinity of St. Louis, Missouri; East St. Louis and Alton, Illinois. Southern Natural's pipe line extends through the State of Mississippi and Alabama to the State of Georgia. Memphis Natural Gas Company's pipe line extends to Memphis and other places in western Tennessee. All three companies are natural-gas companies under the Act and their rates to distributing companies are subject to Commission regulation.

interstate commerce for resale for ultimate public consumption for domestic, commercial or other uses within the meaning of Section 1(b) of the Act (15 U. S. C. A. 717(b)) and so were subject to the rate-fixing jurisdiction of the Commission under Section 5(a) (15 U. S. C. A. 717d(a)) of the Act.

The majority opinion concurs in the Commission's finding that the sales in question are sales in interstate commerce and so are included within the jurisdiction of the Commission by the affirmative provisions of Section 1 of the Act (15 U. S. C. A. 717), and are not excluded from that jurisdiction by the "production or gathering" exception clause of Section 1(b) (15 U. S. C. A. 717(b)). The legislative direction that the provisions of the Act shall not apply to the production or gathering of natural gas was interpreted in the majority opinion as having no reference to sales made by a producer from the production and gathering system, but only to the physical activities of production and gathering and the properties used in carrying on such activities.

Petitioner's Field Operations and Sales:

All of the property of petitioner used in producing, purchasing, gathering, selling and delivering the gas to the three pipe line companies is located within the limits of the Monroe Field in Louisiana, and all the activities here involved take place in that State (R. II. 559-562, 604-606). The title to the gas sold by petitioner passes to the purchasers and all control by petitioner over the gas ceases before it starts on the interstate journey in the pipe lines of the purchasers (R. II. 577-581, 610-622).

Petitioner [3] commenced operations in 1927 (R. II. 566-568) and the contracts (R. II. 792-807) for the sale of gas under discussion were made before the Natural Gas Act was passed. Starting with a few wells and gathering lines (R. II. 566-573) petitioner's property has expanded in size so that by the test year of 1941 petitioner owned and controlled 56,556 acres (R. II. 561) of natural gas lands and mineral rights in the Monroe Field and owned and operated 110 natural gas producing wells (R. II. 561, 609) all producing natural gas from the Monroe Gas Rock. Petitioner had an extensive field gathering system (R. II. 563, 607-610) consisting of a network of various sizes of pipe to which its wells were connected and from which it made the deliveries to Mississippi Fuel, Southern Natural, and Memphis Natural (R. II. 564, 619).

During 1941 petitioner purchased gas from several producers (R. I. 526-528, R. II. 563) in the Monroe Field, which gas was taken into petitioner's gathering system at the well head or at certain points along its gathering lines (R. II. 609, 610). The gas sold and delivered to the three pipe line companies consisted of commingled produced and purchased gas (R. II. 576, 577). Petitioner and an affiliated company not here involved together supplied 22 per cent of Mississippi Fuel's total gas requirements, 16.6125 per cent of Southern Natural's gas requirements and 24 per cent of the requirements of Memphis Natural (R. II. 794). The remainder came from other producers in the Monroe Field or elsewhere in northern Louisiana (R. II. 794).

[3] A complete description of petitioner's organization, its properties and operations are found in Exhibit 3, R. I. 519-536; Exhibit 42, R. II. 559-598; Exhibit 49, R. II. 601-658; and Exhibit 57, R. II. 697-729.

Gas sold to Mississippi Fuel was delivered at its compressor station (photographs at R. II. 582-583) in the producing field at a pressure of approximately 150 pounds per square inch, delivery being made through the meter runs established for measuring the gas (photographs R. II. 584, 585). Delivery was completed when the gas flowed through Mississippi Fuel's own meters, after the gas passed through Mississippi Fuel's gate valves into a header owned by it. There the gas was commingled with gas purchased by Mississippi Fuel from other producers in the Monroe Field. The commingled gas then passed through a series of scrubbers into the suction header of the station. The gas was first compressed through a low-stage unit (photographs R. II. 586-587), and then through a high-stage unit (photographs R. II. 588) from which gas was discharged into Mississippi Fuel's trunk transmission line (R. I. 150-153, R. II. 577-578, 619). The pressure is boosted from the delivery pressure of 150 pounds to a transmission pressure of approximately 425 pounds. This compression is necessary to the movement of the gas in interstate commerce to the points of delivery and sale in Arkansas, Missouri and Illinois.

Deliveries to Southern Natural are made in the same manner (R. I. 154) and are at a delivery pressure of 150 pounds per square inch. The gas moves through meters, is commingled with other gas, passes through scrubbers, and is compressed by Southern Natural through low and high pressure stage units to approximately 450 pounds. The gas is discharged into Southern Natural's main trunk pipe line for transportation in interstate commerce and for sale in Mississippi, Alabama and Georgia (R. II. 578-579, 619; photographs at R. II. 590-592).

Gas is delivered to Memphis Natural at its compressor station and substantially the same processes of delivery and compression take place with subsequent transportation by Memphis Natural of the gas to points in Arkansas and Tennessee (R. II. 580, 620; photographs R. II. 593-595). In each instance the gas is delivered by petitioner at the natural pressure resulting from the well pressure without any mechanical compression or boosting being done by petitioner whatsoever (R. II. 577-580).

All of the three pipe line companies are engaged in the sale of such gas after its transportation in interstate commerce to distributing companies for resale to consumers of all classes (R. II. 619, 620).

The Facts of Confiscation:

In the exercise of its purported jurisdiction the Commission used the rate base and cost of service method as applied in previous cases (R. I. 63, 64). It found the original cost of the gas rights, the producing wells and the gathering system (R. I. 831). After the deduction of depreciation and depletion (R. I. 67) it allowed a return of 6½ per cent on the original cost rate base (R. I. 70, 72), thus excluding all consideration of discovery value. The actual price paid to other producers by petitioner for gas purchased in the same Monroe Field was allowed in full (R. II. 829), although in excess of the well-mouth price allowed petitioner under the Commission's method. The average price paid to other producers was 5.44¢ per M. c. f. (R. I. 526, 563; R. II. 829). The total costs, including gathering costs, were then converted to an average cost of 4.66¢ per M. c. f. (R. II. 827) for gas sold and delivered

from the production and gathering system of petitioner. The contract price of an average of 7.39¢ per M. c. f. (R. II. 827) was ordered reduced to the Commission-fixed price of 4.66¢.

Petitioner's Other Operations:

In addition to the sales here under consideration petitioner makes sales, subject to the Natural Gas Act, from a trunk pipe line system which originates at DeSiard Compressor Station in the Monroe Field, extends southeasterly through Louisiana, crossing the Mississippi River near Natchez, Mississippi, and thence through Mississippi to Baton Rouge, Louisiana (R. II. 627-631; Map R. II. 624). Sales from that pipe line to distributing companies for resale admittedly were subject to Commission regulation (R. I. 58) and the rate reduction order as to such sales (R. I. 79, 80, 101) was finally accepted by petitioner and is not here for review (R. I. 10). Gas sold from that main trunk line is delivered to the DeSiard Station from petitioner's production and gathering system in much the same manner (R. II. 581) as the gas sold to Mississippi Fuel, Southern Natural and Memphis Natural is delivered to their compressor stations. The average field price allowance of 4.66¢ per M. c. f. was accepted by Interstate for its own main line sales under the rule of *Canadian River Gas Company v. Federal Power Commission*, 324 U. S. 581, 89 L. ed. 1206. The operations of petitioner's main truck pipe line system bring it under the Natural Gas Act as a "natural-gas company". Those operations are not here involved and were not used by the Commission or the Circuit Court as a reason for the order and

judgment sought to be reviewed. Reference to those jurisdictional operations of petitioner will not further be made.

REASONS FOR GRANTING THE WRIT.

(1) The Circuit Court has decided important questions of Federal law arising under the Natural Gas Act which have not been but should be settled by this Court.

No greater controversy has arisen during the eight years of regulation under the Natural Gas Act than that now presented to this Court. The extent of the Commission's jurisdiction over production and gathering has caused extensive controversy ever since the question was first presented for Commission decision in the case of *In re Columbian Fuel Corporation*, 2 F. P. C. 200, 35 PUR (NS) 3. There the Commission held the sales made to an interstate pipe line to be beyond its regulatory reach when made in the producing field from the gathering system of Columbian.

The decision presented for review is the only other one made by the Commission which involves a sale of gas in the field where produced to an interstate pipe line which in turn transports the gas in interstate commerce and sells it for resale under regulable rates. By this decision the Commission departed from its previous ruling in the *Columbian* case by holding that the sales here made by petitioner were made in interstate commerce and that

the exemption provided for production and gathering did not relate to sales even though made from a production and gathering system (R. I. 58-62).

That this extension of jurisdiction by the Commission, now approved by the Circuit Court, is of great concern to the producers in Texas, Louisiana, Oklahoma and Kansas, has been evident during the recent general natural gas investigation of the Commission under its Docket No. G-580. (See also "Effects of Federal Regulation under the Natural Gas Act upon the Production and Conservation of National Gas", George Washington Law Review—Special Issue on Federal Power Commission—December, 1945, Volume 14, No. 1, pp. 217 et seq.)

This Court had under consideration one aspect of the jurisdiction of the Commission over the production and gathering of natural gas in the case of *Canadian River Gas Company v. Federal Power Commission*, 324 U. S. 581, 89 L. ed. 1206. In that decision by Mr. Justice Douglas, concurred in by three other Justices, it was held that the Commission could include production and gathering property in the rate base of a natural gas company in arriving at reasonable rates for gas sold to distributing companies for resale. In speaking of the restrictions imposed by Section 1(b) of the Act the Court said:

> "That does not mean that the part of Section 1(b) which provides that the Act shall not apply 'to the production or gathering of natural gas' is given no meaning. Certainly that provision precludes the Commission from any control over the activity of pro-

ducing or gathering natural gas. For example, it makes plain that the Commission has no control over the drilling and spacing of wells and the like. It may put other limitations on the Commission. We only decide that it does not preclude the Commission from reflecting the production and gathering facilities of a natural gas company in the rate base and determining the expenses incident thereto for the purposes of determining the reasonableness of rates subject to its jurisdiction." (602-603.)

Four Justices dissented and Mr. Justice Jackson concurred in an opinion in which he stated:

"It is true that the Act excludes 'production or gathering of natural gas' from jurisdiction of the Commission. If the Commission had imposed any direct regulation upon that activity, I would join in holding it to have exceeded its jurisdiction. But the orders in question have no immediate 'impact' upon production or gathering of gas.

"The statute commands the Commission to regulate the price of natural gas transported and sold at wholesale in interstate commerce for resale. The Commission has investigated the fiscal aspects of production and gathering because of their bearing on the reasonableness of interstate rates. I suppose a commission is free to take evidence as to conditions and events quite beyond its regulatory jurisdiction where they are thought to affect the cost of that whose price it is directed to determine. This, as I see it, is all that has been done here." (609.)

Clearly the jurisdictional point here presented has not been settled by this Court. Whether the sales here involved are subject to the Commission's jurisdiction, and if so, does that same jurisdiction extend to the thousands of producers, large and small, selling gas to interstate pipe lines, is the most important pending controversy remaining unsettled after eight years under the Natural Gas Act. An authoritative interpretation of Sections 1 and 2(7) are badly needed to allay doubt, distrust and confusion as to what is the jurisdiction of the Commission over producer sales. This Court can render no greater service to the natural gas industry at this time than to take this case for decision.

(2) The Circuit Court has decided Federal questions under the Natural Gas Act in a way probably in conflict with applicable decisions of this Court.

In deciding that these sales were made in interstate commerce, the Circuit Court relied upon two cases: *Missouri v. Kansas Gas Co.*, 265 U. S. 298, 68 L. ed. 1027; and *P. S. C. v. Attleboro Steam & Electric Co.*, 273 U. S. 83, 71 L. ed. 549. That those cases both involved transportation across or to a State line by the Seller is known to all who have read them. They do not touch upon a sale made by a gas producer in the producing field to a separate entity which transports and sells the gas in another State.

The sales made here being of gas produced and delivered locally clearly are intrastate *in fact*, being completed in Louisiana. They are not made interstate by any legal

doctrine of this Court. Sales of commodities under similar circumstances have been held to be intrastate transactions and subject to local control.

Hope Natural Gas Co. v. Hall, 274 U. S. 284, 71 L. ed. 1049;
Superior Oil Co. v. State of Miss., 280 U. S. 390, 74 L. ed. 504;
Milk Control Board v. Eisenberg Co., 306 U. S. 346, 83 L. ed. 752;
Treasury of Indiana v. Wood Preserving Corp., 313 U. S. 62, 85 L. ed. 1188.

The viewpoint taken by this Court in *Dahnke-Walker Mill Co. v. Bondurant*, 257 U. S. 282, 66 L. ed. 239, of a sale made in a State for immediate shipment by common carrier to a destination in another State does not apply to the facts here presented. That case and the North Dakota grain cases (*Lemke v. Farmers Grain Co.*, 258 U. S. 50, 66 L. ed. 458, Justices Brandeis, Holmes and Clarke dissenting; *Shafer v. Farmers Grain Co.*, 268 U. S. 189, 69 L. ed. 909), based upon it, have been severely limited by the more recent decisions of this Court cited above. (See also *Townsend v. Yeomans*, 301 U. S. 441, 81 L. ed. 1210; and *California v. Thompson*, 313 U. S. 109, 85 L. ed. 1219.)

(3) The Circuit Court has so far departed from the accepted and usual course of judicial procedure as to call for an exercise of this Court's power of supervision.

In making its interpretation of the meaning to be given to the exemption of production and gathering in Section

1(b) of the Act, the Court arbitrarily excluded all legislative history relating to the so-called Lea Bill, H. B. No. 11662, a predecessor bill to the Natural Gas Act (R. II. 916). In completely disregarding this legislative history the Circuit Court followed a course of judicial procedure completely contrary to that approved by this Court in considering and passing upon the Natural Gas Act. For example, in the case of *Federal Power Commission v. Hope Natural Gas Company*, 320 U. S. 591, 88 L. ed. 333, the majority opinion made reference to hearings on H. R. 11662, Sub-Committee of House Committee on Interstate and Foreign Commerce, Seventy-fourth Congress, Second Session. The same legislative history was referred to by the late Chief Justice Stone in his dissent in the case of *Canadian River Gas Company v. Federal Power Commission, supra* (See footnote 2, 324 U. S. 581 at 621). Legislative history of bills preceding the enacted Federal Power Act was likewise used in the opinion of Mr. Justice Jackson in *Connecticut Light and Power Co. v. Federal Power Commission*, 324 U. S. 515, 89 L. ed. 1150.

Petitioner raised the issue of confiscation of its production and gathering property resulting from the use of the cost of service method for petitioner's own produced gas, although allowing the field contract price for purchased gas. The summary way in which the Court dealt with the issue of confiscation (R. II. 912-913) has effectually denied to petitioner any judicial review whatsoever on the impact which the Commission order has on petitioner. The total effect of the rate order as it relates to petitioner's production and gathering property was not made the subject of judicial inquiry by the Court. This is a denial of the

rights granted the petitioner under Section 19(b) of the Act.

CONCLUSION.

For these reasons, stated more fully in the attached memorandum brief, it is respectfully submitted that the writ should be granted.

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MEMORANDUM BRIEF IN SUPPORT OF PETITION FOR CERTIORARI.

I.

OPINIONS BELOW.

Reference to the opinions of the Commission and of the Circuit Court is made in the petition at page 2.

II.

JURISDICTION.

The statutory provisions under which the jurisdiction of this Court is invoked are shown in the petition at page 3.

III.

STATEMENT OF THE CASE.

This appears in the petition, pages 5-11.

IV.

SPECIFICATION OF ERRORS TO BE URGED.

Errors to be urged are those specified in the petition, pages under the heading "Questions Presented."

V.

ARGUMENT.

(1) The sales of natural gas made by petitioner from its production and gathering system to Mississippi Fuel, Southern Natural and Memphis Natural are not subject to the jurisdiction of the Commission, not being sales of natural gas in interstate commerce.

The issue on this point is clear since both the Commission and the Circuit Court have characterized as interstate transactions the sales of gas produced or purchased in Louisiana, gathered from the wells in Louisiana, delivered to the pipe line companies in Louisiana, and to which title passes and over which all control by petitioner ends in Louisiana. These conclusions are based solely on two cases, *Missouri v. Kansas Gas Company*, 265 U. S. 298, 68 L. ed. 1027; and *Public Service Commission v. Attleboro Steam and Electric Company*, 273 U. S. 83, 71 L. ed. 549. Neither of these cases involves a sale of natural gas made in the producing field. In the *Kansas Gas Company* case the Missouri Commission was attempting to regulate a sale of gas to a distributing company in Missouri, made by a pipe line company after transporting the gas from Oklahoma and Kansas. That decision has no bearing whatsoever on the question here for consideration.

In the *Attleboro* case there was a sale at wholesale by a Rhode Island company to a Massachusetts distributing company wherein the former undertook to transport to, and deliver, electric current at the State line, which transaction was held to be one "in interstate commerce".

Clearly, transportation to and the sale at the State line to a connecting company which then distributed the electricity in Massachusetts has none of the characteristics of the sales of gas by petitioner here involved. The essence of the question depends upon what the Natural Gas Act defines as a sale in interstate commerce. Section 1(a) declares that:

> ". . . the business of transporting and selling natural gas for ultimate distribution to the public is affected with a public interest, and that Federal regulation in matters relating to the transportation of natural gas and the sale thereof in interstate and foreign commerce is necessary in the public interest."

Nothing is said here indicating that a local sale in the field is something that needs to be regulated.

The provisions of Section 1(b) make the Act applicable:

> ". . . to the transportation of natural gas in interstate commerce, to the sale in interstate commerce of natural gas for resale. . . ."

Leaving out of consideration for the moment the subsequent restrictive provisions of the paragraph, it is clear that the sale must be in "interstate commerce" before it is within the jurisdiction of the Commission. Turning to Section 2(7) which defines interstate commerce, there is the requirement that it must be commerce ". . . between any point in a State and any point outside thereof . . ." Judge Waller in his dissent relied upon that definition and pointed out clearly that the majority of the Circuit Court had failed to give it any consideration whatsoever. From a determination of Section 1 and of the definition

of interstate commerce, a sale to be subject to Commission jurisdiction of necessity must take place after the gas has moved from the State of production and into another State. By this language Congress intended that sales made to distributing companies after the transportation from the State of production were the ones that should be regulated. (See Senate Report 1162, Seventy-fifth Congress, First Session, to accompany H. R. 6586 for the committee views that sales to distributing companies are the ones which the Supreme Court had held States could not regulate.)

The division between State and Federal control over the natural gas business is not a new legal concept. Before the Natural Gas Act was passed the State exercised full control over natural gas within their borders. Taxation of natural gas produced in West Virginia, although destined from the well to markets in Pennsylvania and Ohio was sustained by this Court in *Hope Natural Gas Company v. Hall*, 274 U. S. 284, 287-288, 71 L. ed. 1049, and in *Superior Oil Company v. Mississippi*, 280 U. S. 390, 74 L. ed. 504, a State tax on sales of gasoline made in Mississippi, although to be transported outside the state, was upheld. There the Court said that the parties could not by contract "convert what was exclusively a local business, subject to State control, into an interstate business protected by the commerce clause" (pp. 394-395).

There have been a variety of State regulatory actions sustained in the exercise of the conservation powers which have uniformly been upheld by this Court even though the oil or gas produced was intended to be, and in fact was,

immediately shipped in interstate commerce. Illustrations of the exercise of this power are found in *Champlin Refining Company v. Corporation Commission*, 286 U. S. 210, 76 L. ed. 1062, *Railroad Commission of Texas v. Rowan & Nichols*, 310 U. S. 573, 84 L. ed. 1368. Price fixing of oil or gas sales made in the producing field, followed by immediate transportation in interstate commerce, has never been directly passed upon by this Court, but price control of milk sold locally in Pennsylvania and immediately transported to New York has been sustained. *Milk Control Board v. Eisenberg*, 306 U. S. 346, 83 L. ed. 752, involved a sale of milk at a receiving station in Pennsylvania from which milk was loaded into tank trucks and taken by a continuous journey to New York. Local regulations and price-fixing provisions of the State law were upheld on the ground that these transactions were essentially local in Pennsylvania. An analogous situation involved the sale of railroad ties in the State of Indiana which was held to be a local transaction even though the ties were delivered and forthwith loaded on railroad cars for destinations in Ohio for treatment, *Treasury of Indiana v. Wood Preserving Corp.*, 313 U. S. 62, 85 L. ed. 1188 (see also cases referred to in petition, pp. 14-16).

Factually the sale is a local intrastate sale since the seller does nothing in moving the gas outside the State. The facts of delivery have been set forth with some detail in the petition, pages 6-9. Those facts demonstrate that after control of the gas has passed from petitioner to the pipe line companies several things are done in packaging and preparing the gas for its movement in interstate commerce. Without the compressor stations this gas could

not be taken to market, and when greater pressure is placed upon the gas, of necessity it occupies a smaller volume than it did before.

That the act of compression has some features of a local intrastate transaction is exhibited by the case of *Coverdale v. Arkansas-Louisiana Pipe Line Company*, 303 U. S. 604, 82 L. ed. 1043. In that case a natural gas company producing gas in Louisiana owned a compressor station which was utilized in increasing the pressure of natural gas for the purpose of transporting it to another State. A Louisiana tax on "prime movers" was resisted by the pipe line company on the ground that the tax was a burden upon interstate commerce. This Court, Mr. Justice McReynolds dissenting, in an opinion by Mr. Justice Reed, held that the tax was valid. The tax was not imposed upon the act of moving the gas but of generating the power, and even though the compression end of the unit was engaged in starting the gas on its interstate journey, nevertheless the power production by the engine was held to be a local event subject to taxation. This case is based on the concept that only after the gas moves from the compressors on its journey outside the State does interstate commerce begin, and that, of course, conforms to the definition of interstate commerce in the Natural Gas Act.

The scope of Federal authority to regulate the natural gas business and the power of Congress to regulate the particular sales here involved is not necessary to be considered. The Act, unlike other Federal acts of the same period, does not purport to regulate transactions which

affect, or which are intimately related to, interstate commerce. The much more restricted phrase "in interstate commerce" is used. The Federal power is not disputed. Therefore, such cases as *Currin v. Wallace*, 306 U. S. 1, 83 L. ed. 441, and *United States v. Rock Royal Co-Op.*, 307 U. S. 533, 83 L. ed. 1446, are not applicable here.

Since only transactions actually "in interstate commerce" are placed under the Act, this means that only those transactions which are not constitutionally subject to State control are placed under the jurisdiction of the Commission. A transaction subject both to State and Federal regulation was not intended by Congress to be placed under the authority of the Act since there was no absence of regulatory power in the States. This is clearly expressed in the report of both committees of Congress[4] and has been recognized by this Court in two cases:

In *Illinois Natural Gas Company v. Central Illinois Public Service Company*, 314 U. S. 498, 86 L. ed. 371, the Court said (314 U. S. 506-7):

> "An avowed purpose of the Natural Gas Act of June 21, 1938, was to afford, through the exercise of the national power over interstate commerce, an agency for regulating the wholesale distribution to public service companies of natural gas moving interstate, *which this Court had declared to be interstate commerce not subject to certain types of state regulation* . . . the Act is restricted in its application 'to the transportation of natural gas in interstate commerce, to the sale in interstate commerce of

[4] The Senate and House Committee reports are identical. See Senate Report No. 1162, Seventy-fifth Congress, First Session, to accompany H. R. 6586.

> natural gas for resale for ultimate public consumption for domestic, commercial, industrial, or any other use, and to natural-gas companies engaged in such transportation or sale. . . .'" (Italics supplied.)

In a subsequent case denying the power of the Public Utilities Commission of Ohio to fix the price at the city gate of gas transported from West Virginia and sold in Ohio, the Court said:

> "It is clear, as the legislative history of the Act amply demonstrates, that Congress meant to create a comprehensive scheme of regulation which would be complementary in its operation to that of the states, without any confusion of functions. The Federal Power Commission would exercise jurisdiction over matters in interstate and foreign commerce, *to the extent defined in the Act, and local matters would be left to the state regulatory bodies.* Congress contemplated a harmonious, dual system of regulation of the natural gas industry—federal and state regulatory bodies operating side by side, each active in its own sphere." (Italics supplied.) (*P. U. C. v. United Fuel Gas Company*, 317 U. S. 456 at 467, 87 L. ed. 369.)

The two cases last cited dealt with State authority over the transportation and sale of natural gas in the State of destination after the gas had moved from the State of production across State lines into the State of destination. These are the only cases so far decided by this Court dealing with the power of the State governments over sales of natural gas having any connection with an interstate pipe line. All other cases under the Natural Gas Act which this Court has considered have been re-

views of rate orders reducing the prices charged by pipe lines at the city gates after transportation from the producing field was completed. In order that the sales of petitioner to the three pipe line companies be sales "in interstate commerce" within the meaning of the Act, such sales would have to be free from State regulation because of Constitutional prohibitions under decisions of this Court. We believe that the authorities hereinabove referred to demonstrate that the sales in question are of a local character, and that the Circuit Court committed manifest error in holding these sales subject to the Commission's jurisdiction. Without question, there has been no determination of this point by this Court, which is the only tribunal that can finally settle the dispute about the correct interpretation of Section 1 of the Act.

(2) The exemption of production and gathering by Section 1(b) of the Act excludes the application of Section 5(a) to petitioner's sales.

As stated in the petition, pp. 12-13, this Court had before it in the *Canadian River* case one phase of the interpretation of the exception of Section 1(b) of the Act stating that its provisions shall not apply to the production or gathering of natural gas. We pointed out that all questions were reserved by the Court for future consideration save the one there decided. Since only four Justices joined in the majority opinion, it is evident that even that interpretation was not commanding in its appeal. We now bring to this Court the specific application of the exemption in a case in which the impact upon production and gathering is so severe as to amount to confiscation. The meaning

and reach of the exemption of production and gathering has such far reaching results that this Court should set forth its judgment in this case.

The exemption was put there for a purpose. That purpose was to exclude jurisdiction of the Commission. To interpret it narrowly, as does the Circuit Court majority, is to make its inclusion needless. Even without these words, the Commission could not have exercised any control over the drilling of wells or other local activities. We urge upon this Court that it consider the dissenting opinion of the later Chief Justice in the *Canadian* case as our argument here. Adding to that the dissent of Judge Waller, we have a sound and logical presentation upon which we cannot improve.

Consider also the concurring opinion of Mr. Justice Jackson in the *Canadian* case, where, in speaking of this exemption, he said (324 U. S. 609):

> "If the Commission had imposed any direct regulation upon that activity, I would join in holding it to have exceeded its jurisdiction."

No more direct regulation could be imposed than the reduction of the sales price from 7.39¢ to 4.66¢ per M. c. f.

The Legislative History:

The Circuit Court has discarded all legislative history except the report of the Senate and House Committee (R. II, 917). This Court has used that discarded material in its search for the true meaning intended by Congress in enacting this law. We refer to it here at some length

so that we may demonstrate how conclusively it proves our case.

The Enactment of the Natural Gas Act:

The first proposal for the regulation of the sale and transportation of natural gas in interstate commerce was introduced in Congress in 1936. Subsequent bills were substituted and later new proposals were introduced before the final enactment of the Natural Gas Act in 1938. The legislative history of all of these measures is pertinent to the problem of interpretation now presented to the Court.

(a) Bill Proposed in 1936—Lea Bill:

Within three months following the submission of the Federal Trade Commission's Final Report, bills to regulate natural gas were introduced into both House and Senate. These were H. R. 11662 and S. 4480 (74th Congress, 2nd Session). The House bill is commonly referred to as the Lea bill.

As introduced, the Lea Bill in large measure reflects the report of the Federal Trade Commission. It is obvious that, in H. R. 11662, the House Committee had formulated a definite policy to exclude from Federal regulation certain phases of the natural gas business even though such phases might be regulated as a part of or as affecting interstate commerce.

The nature and extent of this exclusion is shown by the explanations given by committee members and others given in the hearings and debates. These we fully explore below.

(b) The Controlling Explanation Given at the Hearings on H. R. 11662:

H. R. 11662 had, in large measure, been drawn by two members of the Federal Power Commission staff, who had been loaned to the House Committee for this purpose, Mr. Dozier A. De Vane, the Solicitor of the Commission, and Mr. Thomas J. Tingley, its Assistant Solicitor.

In April of 1936, the House Committee on Interstate and Foreign Commerce held public hearings with respect to H. R. 11662, and Chairman Lea called Mr. De Vane to testify as the first witness and explain the bill. The importance of this testimony cannot be overlooked and the opening remarks show the authority with which the witness spoke.

The opening remarks were as follows (Record of Hearings on H. R. 11662, page 9):

"Mr. Lea:

"It is the intention of the committee first to hear the representatives of the Federal Power Commission and the Federal Trade Commission. Before the hearings are completed we hope to hear from interested parties as largely as is necessary to cover the subject.

"At this time we will hear Mr. De Vane, representing the Federal Power Commission.

"Mr. De Vane, you may proceed in your own way.

"Mr. De Vane:

"Mr. Chairman and members of the Committee, my name is Dozier A. De Vane. I am solicitor for

the Federal Power Commission and have been in that position now for approximately two and a half years. I appear here this morning at the request of the Chairman of your full Committee and of your Subcommittee, and that the record may be clear, may I also state that I do not appear in the capacity of a representative of the administration in connection with any legislation that it has submitted to the Congress.

"This committee will recall that as a part of H. R. 5423 was title III, which had for its purpose the regulation of this industry.[5]

"Title III of that bill was substantially the same in language as the part of title II that related to the regulation of the electric industry.

"Substantially the only difference was that gas was substituted for electricity in the language of the bill.

"After the hearings upon that bill, titles II and III—when I refer to title II, I mean that part of the bill providing for an amendment to the Federal Water Power Act bringing under Federal regulation electric utilities—both that title and title III, which provided for the regulation of the natural-gas industry was referred to the same subcommittee and considered by the same subcommittee.

"I suppose it is not out of place if I should say for the record here that title III, which related to the regulation of the gas industry was not reported out with title I and title II.

"The bill that you have now, H. R. 11662, is in substantially all respects, insofar as it goes, similar

[5] The reference is to the Public Utility Holding Company Bill, introduced by Mr. Rayburn in 1935.

to the provisions of the Federal Power Act with reference to the electric industry. The bill itself does not go quite as far as nor does not confer quite as much jurisdiction upon the Commission as does the Federal Power Act.

"I shall not, in my presentation this morning, undertake to discuss the gas industry, as this committee knows an investigation with reference to that subject has been made by the Federal Trade Commission under Senate Resolution 83, Seventieth Congress, first session, and a representative of that Commission will appear and present to the committee factual data that were developed by that investigation."

After some additional opening remarks and the presentation of a legal brief discussing the provisions of the bill, Mr. De Vane proceeded to discuss the bill orally and commenced as follows, (*ibid*, page 24):

"Mr. De Vane:

"Section 1(a) of the bill is a declaration of the necessity for Federal regulation. It recites the investigations that have been made, points out that this industry has now reached a point where Federal control and regulation of the industry is necessary.

"Section 2 defines the jurisdiction—

"Mr. Merritt:

"Mr. Chairman.

"Mr. De Vane (continuing):

"Section 1(b) defines the jurisdiction over the industry.

"Mr. Merritt wanted to ask you a question.

"Mr. Merritt:

"I thought you were going to skip that. That is what I wanted to ask about.

"Mr. De Vane:

"No, sir. Section 1 (b) provides that the provisions of this act shall be applicable to the transportation of natural gas in high-pressure mains in interstate commerce and to natural-gas companies engaged in such transportation, but shall not apply to the distribution of natural gas in low-pressure mains or to the facilities used for such distribution or to the production of natural gas.

"Mr. Merritt:

"Well, facilities for such distribution refer only to low-pressure distribution, does it?

"Mr. De Vane:

"It refers to distribution of natural gas to consumers.

"The whole purpose of this bill is to bring under Federal regulation the pipe lines and to leave to the State commissions control over distributing companies and over their rates, whether that gas moves in interstate commerce or not."

After some little discussion as to the scope of this first exemption, the record continued as follows (*ibid*, p. 28):

"Mr. De Vane:

"* * * Now, Section 1(b) also provides that the Commission shall have no jurisdiction over the gathering or gathering rates for natural gas.

"Mr. Cooper:

"What do you mean by gathering rates?

"Mr. De Vane:

"The rates that are paid in the gathering field, Mr. Cooper."

Thereafter, Representative Cole inquired further into the meaning of Section 1(b) (*ibid*, p. 32):

"Mr. Cole:

"* * * in order to determine the cost of the property which you say is absolutely essential before you can go into the establishment of reasonable rates or charges, the Commission will go into not only the great Panhandle field of Texas and other gas fields, but into the old fields as well, where, of course, there is gas?

"Mr. De Vane:

"No; I am not so sure that would be correct. The jurisdiction conferred by this bill is limited to the transportation lines and transportations.

* * * * * *

"Mr. Cole:

"Does this bill give anywhere the Commission power over the source of natural gas in the different fields in a manner which we might call comparable to that which your Commission now has over hydroelectric generating plants?

"Mr. De Vane:

"It does not; no. It does not attempt to regulate the gathering rates or the gathering business. Section 11, I believe it is, of the bill deals with that.

"Mr. Cole:

"I do not want to disturb the continuity of your presentation, section by section.

"Mr. De Vane:

"Well, I will get to that in a few minutes. But Section 11 deals with State compacts, not in the sense of prescribing what State compacts should be but simply gives to the Commission authority to investigate and report to the Congress upon the State compacts that are submitted for approval. But the bill itself does not attempt to regulate either the gathering end or the distributing end of the business; I mean the local distribution of gas."

Subsequently in the hearing Chairman Lea again pressed for a statement as to the scope of the "production" exemption (*ibid*, pp. 42-43):

"Mr. Lea:

"Mr. De Vane, I would like to go back just a moment. Of course it is a question of regulation. Suppose that the A company owns a gas supply and the B company transmits it into another State, distributes it to a local company for distribution. Now suppose the question arises as to whether or not the charges which the A company makes against the B company for the gas is reasonable. What, if any, authority would the Commission have on that question, under this bill?

"Mr. De Vane:

"Yes, if I understand your question, concerning the price paid to the A company, *there is no control of the gathering rate; the Commission would have no jurisdiction.* That price is fixed by competitive conditions that exist in the field. But it matters not how many different ownerships there may be between the time the gas starts to move in interstate commerce and gets to the city gates. Ownership might change a dozen times—A com-

pany sell to B, and B company sell to C—all those rates would be subject to regulation. (Italics supplied.)

"Mr. Lea:

"Well, when the supply company is brought before the Commission in an action to regulate its rates, and they say, 'We have got to pay so much for gas; we cannot control that price which they charge us, and we have to charge a higher price delivered to the Buyer.' Does the Commission have any power over that?

"Mr. De Vane:

"No; not the price that is paid to the gatherer, to the man who produces it; that is binding if the transaction is at arm's length. If the transaction is not at arm's length of course its reasonableness may be inquired into under the decisions of the Supreme Court."

(c) The Revised Natural Gas Bill of 1936—H. R. 12680:

Following its hearings on the bill, the House Committee on Interstate Commerce revised the bill, and it was reintroduced on May 12, 1936 as H. R. 12680 of the 74th Congress, 2d Session.

Section 1(a) of the bill remained substantially unchanged. But Section 1(b) was revised considerably, and it is of particular interest that, in the light of Mr. De Vane's testimony, the Committee broadened the exemption for the "*production* of natural gas" to the more inclusive language "*production or gathering* of natural gas". The revised section read as follows:

"(b) The provisions of this Act shall apply to the transportation of natural gas in interstate com-

merce, to the sale of such gas for resale to the public, and to natural gas companies engaged in such transportation or sale, but shall not apply to the local distribution of natural gas or to the facilities used for such distribution or to the production or gathering of natural gas: Provided, that nothing in this Act shall be construed to authorize the Commission to fix the rates or charges to the public for the sale of natural gas distributed locally or for the sale of natural gas for industrial use only."

No action was taken in the 74th Congress with respect to H. R. 12680.

(d) The Completed Bills of 1937 and Final Passage:

Early in 1937, Chairman Lea again introduced the bill in form identical with H. R. 12680 of the preceding Congress. This was designated H. R. 4008, 75th Congress, 1st Session.

Hearings on H. R. 4008 were held by the House Committee during March of 1937, the bill was further revised, and in April of 1937 was re-introduced as H. R. 6586.

Section 1(a) of H. R. 6586 was substantially identical with that of the previous bills. Section 1(b) was revised to read substantially as it does in the Act as passed.

The bill was debated in the House of Representatives on June 16, 1937 and was passed on July 1, 1937. It was then sent to the Senate, and was reported out of the Senate Committee on Interstate Commerce without change. Senator Wheeler brought the bill up for consideration on

August 14th and 19th, but each time, after some debate, it was passed over for additional study. On June 7, 1938 the bill was again brought up by Senator Wheeler, and it was passed with certain amendments. The amendments were modified at the instance of the House of Representatives and the bill was finally passed on June 14, 1938.

(e) Explanatory Statement Made in the Congressional Debates:

The course of the debates shows clearly that the members of the House and Senate, in particular the Committee having charge of the bill, shared Mr. De Vane's conception that the Act excludes field sales of natural gas.

During the debate on July 1, 1937, (Congressional Record, Volume 81, p. 8675, (Part 6, p. 6721)) Chairman Lea, as the sponsor of the bill, explained its terms to the House. In the course of this explanation, he stated:

> "There are, however, some situations defined in the bill to which this regulation does not apply. One is local distribution on the principle that where commerce passes in interstate commerce and reaches the point of broken package, the local State commission then has the regulatory power. The same general rule applies to the transportation and sale of gas. So this act does not affect the local distribution of gas. It affects the local consumer's price only by regulating the price at the city gates. The facilities for local distribution are not within the power of regulation provided in the bill.
>
> "The bill does not apply to the production and gathering of gas."

Note particularly Chairman Lea's statement to the effect that the Act affects the local consumer's price only in one respect, i. e., by regulation of city gate prices; also Chairman Lea's emphatic reiteration of the Act's exclusion of production and gathering.

Representative Halleck of Indiana, likewise a member of the House Committee on Interstate Commerce, followed Mr. Lea with additional explanations of the bill (Congressional Record, Volume 81, p. 8677, (Part 6, p. 6723)). He said in part:

> "* * * Gas is brought from the producing areas in these pipe lines and sold at the city gates to the public utilities which distribute the gas to the consumers. It is obvious the distribution of the gas by the local distributing company is subject to State regulation and the interests of the consumers are protected by State regulation. However, the transportation of gas in interstate commerce in the pipe lines and its sale to the distributing companies for resale is not subject to State regulation, and as a result, we have had a situation under which the price charged the distributing company at the city gate has been fixed wholly by the judgment, discretion, or action of the interstate company. It is charged that in many cases that price is excessive. This bill seeks to regulate those prices."

In the Senate on August 19, 1937 (Congressional Record, Volume 81, (11981) Part 8, p. 9312) the following discussion took place between Senator Wheeler, Chairman of the Senate Committee, and Senator Austin:

> "Mr. Austin:
>
> "Mr. President, may I ask the Senator from Montana (Mr. Wheeler) a question concerning this bill?

Does the bill undertake to regulate the production of natural gas, or does it undertake to regulate the producers of natural gas?

"Mr. Wheeler:

"It does not attempt to regulate the producers of natural gas or the distributors of natural gas; only those who sell it wholesale in interstate commerce.

* * * * * *

"Mr. Austin:

"Is the bill limited in its scope to the regulation of transportation?

"Mr. Wheeler:

"Yes; it is limited to transportation in interstate commerce, and it affects only those who sell gas wholesale."

Additional statements of Senator Wheeler in the course of the above Senate debate (Vol. 81, p. 11984, Part 8, p. 9315) are:

"The Federal Power Commission will have power to regulate the price of gas shipped and sold at wholesale in interstate commerce, and so they will investigate and find out what is a fair price for it. * * *

* * * * * *

"Simply because of the fact that under the bill, if the gas is shipped in interstate commerce, the Federal Power Commission has the right to investigate and say whether or not the company which ships it charges a fair rate for the wholesale gas which it is selling to the city of Columbus or the city of Cleveland. * * *"

(f) Conclusions as to Legislative History:

From the above review, it is conclusively shown, we submit, that "the production or gathering of natural gas" is a term of broad significance, and that, by employing it in contradistinction to the "business of transporting and selling natural gas in interstate commerce", Congress intended to exclude from the purview of the Act the whole business of producing and gathering gas, i. e., the drilling, maintenance and operation of wells, the movement of gas through the field gathering lines to the main interstate trunk pipe lines and the sale and delivery of the gas to those pipe line customers—in short, everything antecedent to the main interstate operation of taking the gas out of the fields to distant markets.

Such is indubitably the sense in which the exemption is understood and employed by Chairman Lea, Representative Cole, Mr. De Vane, and others responsible for the drafting of the legislation, for, in referring to it, they speak repeatedly of the "gathering companies", the "price paid to the gatherer", the "gathering rate" all as being exempt. And the conclusion becomes doubly certain in the light of the repeated statement that the purpose of the Act is not to regulate the entire realm of interstate commerce but only the "pipe line" or "transportation" phase of the business.

(3) The Issue of Confiscation and the Failure of the Circuit Court to afford petitioner a judicial review thereon.

Petitioner recognizes that this Court in a number of cases has upheld Commission action in using the rate base

method for fixing an allowance for gas produced by a natural gas pipe line company. Those cases convinced petitioner that it should accept the Commission order fixing rates of gas sold from its trunk pipe line—rates not here involved. But the application of the rate base method to the field sales of petitioner presents as an end result an instance of arbitrary action and confiscation as clear and shocking as can be imagined. If this order stands unreversed then petitioner will be compelled to sell gas to the three pipe line companies for 4.66¢ per M. c. f. This is a price less than the average price *paid* by petitioner for substantial quantities of gas in the Monroe Field.

In 1941 petitioner purchased 22,655,322 M. c. f. (R. I. 526-563) at a total cost, including expenses incurred in purchasing the gas, of $1,246,344.30, an average cost of 5.5¢ (R. II. 829).

The allowance of 4.66¢ includes the cost of gathering, so that the actual well head price allowed petitioner is approximately 2.72¢ as computed by the Commission staff (R. II. 829-830).

The Court gave brief consideration to petitioner's contention and, although recognizing that the rate order must be viewed in its entirety, no findings were made and no adequate review was given to petitioner on this vital question. The Court even stated that "Disposing first of the question of compensation, we need not inquire whether, if it stood alone, the rate allowed would be confiscatory." (R. II. 913.)

No occasion fits more closely within the framework of the "end result" or "impact" theory than does this one.

VI.

CONCLUSION.

For the foregoing reasons it is respectfully submitted that the petition for a writ of certiorari should be granted.

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APPENDIX A.

Pertinent Provisions of the Natural Gas Act.

Section 1. (a) As disclosed in reports of the Federal Trade Commission made pursuant to Senate Resolution 83 (Seventieth Congress, first session) and other reports made pursuant to the authority of Congress, it is hereby declared that the business of transporting and selling natural gas for ultimate distribution to the public is affected with a public interest, and that Federal regulation in matters relating to the transportation of natural gas and the sale thereof in interstate and foreign commerce is necessary in the public interest.

(b) The provisions of this act shall apply to the transportation of natural gas in interstate commerce, to the sale in interstate commerce of natural gas for resale for ultimate public consumption for domestic, commercial, industrial, or any other use, and to natural-gas companies engaged in such transportation or sale, but shall not apply to any other transportation or sale of natural gas or to the local distribution of natural gas or to the facilities used for such distribution or to the production or gathering of natural gas.

(52 Stat. 821, 15 U. S. C. A. §717.)

Sec. 2. When used in this act, unless the context otherwise requires—

(1) "Person" includes an individual or a corporation.

(2) "Corporation" includes any corporation, joint-stock company, partnership, association, business trust, organized group of persons, whether incorporated or not, receiver or receivers, trustee or trustees of any of the

foregoing, but shall not include municipalities as hereinafter defined.

(3) "Municipality" means a city, county, or other political subdivision or agency of a State.

(4) "State" means a State admitted to the Union, the District of Columbia, and any organized Territory of the United States.

(5) "Natural gas" means either natural gas unmixed, or any mixture of natural and artificial gas.

(6) "Natural-gas company" means a person engaged in the transportation of natural gas in interstate commerce, or the sale in interstate commerce of such gas for resale.

(7) "Interstate commerce" means commerce between any point in a State and any point outside thereof, or between points within the same State but through any place outside thereof, but only insofar as such commerce takes place within the United States.

(8) "State commission" means the regulatory body of the State or municipality having jurisdiction to regulate rates and charges for the sale of natural gas to consumers within the State or municipality.

(9) "Commission" and "Commissioner" means the Federal Power Commission, and a member thereof, respectively.

(52 Stat. 821, 15 U. S. C. A. §717a.)

Sec. 5. (a) Whenever the Commission, after a hearing had upon its own motion or upon complaint of any State,

municipality, State commission, or gas distributing company, shall find that any rate, charge, or classification demanded, observed, charged, or collected by any natural-gas company in connection with any transportation or sale of natural gas, subject to the jurisdiction of the Commission, or that any rule, regulation, practice, or contract affecting such rate, charge, or classification is unjust, unreasonable, unduly discriminatory, or preferential, the Commission shall determine the just and reasonable rate, charge, classification, rule, regulation, practice, or contract to be thereafter observed and in force, and shall fix the same by order: *Provided, however,* That the Commission shall have no power to order any increase in any rate contained in the currently effective schedule of such natural gas company on file with the Commission, unless such increase is in accordance with a new schedule filed by such natural gas company; but the Commission may order a decrease where existing rates are unjust, unduly discriminatory, preferential, otherwise unlawful, or not the lowest reasonable rates.

(52 Stat. 823, 15 U. S. C. A. §717d(a)).

Sec. 19. (a) * * * *

(b) Any party to a proceeding under this act aggrieved by an order issued by the Commission in such proceeding may obtain a review of such order in the circuit court of appeals of the United States for any circuit wherein the natural-gas company to which the order relates is located or has it principal place of business, or in the United States Court of Appeals for the District of Columbia, by filing in such court, within sixty days after the order of the Commission upon the application for rehearing, a written petition praying that the order of the Commission be modified or set aside in whole or in part. A copy of such petition shall

forthwith be served upon any member of the Commission and thereupon the Commission shall certify and file with the court a transcript of the record upon which the order complained of was entered. Upon the filing of such transcript such court shall have exclusive jurisdiction to affirm, modify, or set aside such order in whole or in part. No objection to the order of the Commission shall be considered by the court unless such objection shall have been urged before the Commission in the application for rehearing unless there is reasonable ground for failure so to do. The finding of the Commission as to the facts, if supported by substantial evidence, shall be conclusive. If any party shall apply to the court for leave to adduce additional evidence, and shall show to the satisfaction of the court that such additional evidence is material and that there were reasonable grounds for failure to adduce such evidence in the proceedings before the Commission, the court may order such additional evidence to be taken before the Commission and to be adduced upon the hearing in such manner and upon such terms and conditions as to the court may seem proper. The Commission may modify its findings as to the facts by reason of the additional evidence so taken, and it shall file with the court such modified or new findings, which if supported by substantial evidence, shall be conclusive, and its recommendation, if any, for the modification or setting aside of the original order. The judgment and decree of the court, affirming, modifying, or setting aside, in whole or in part, any such order of the Commission, shall be final, subject to review by the Supreme Court of the United States upon certiorari or certification as provided in sections 239 and 240 of the Judicial Code, as amended (U. S. C., title 28, secs. 346 and 347).

(52 Stat. 831, 15 U. S. C. A. §717r (b).

FILE COPY

IN THE

Supreme Court of the United States

OCTOBER TERM, 1946.

No. 733.

INTERSTATE NATURAL GAS COMPANY, INCORPORATED, a corporation,

Petitioner,

versus

FEDERAL POWER COMMISSION, LOUISIANA PUBLIC SERVICE COMMISSION, CITY OF NEW ORLEANS, LOUISIANA, CITY OF BATON ROUGE, LOUISIANA,

Respondents.

PETITIONER'S BRIEF.

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INDEX.

	PAGE
TABLE OF CASES, ETC.	iii
JURISDICTION	1
STATEMENT	2
1. Nature of the Proceeding	2
2. Petitioner's Operations	2
3. The Commission's Order	5
4. Proceedings Below	6
SPECIFICATION OF ERRORS	8
SUMMARY OF ARGUMENT	9
ARGUMENT	11
I. PRELIMINARY STATEMENT	11
II. THE SALES HERE IN QUESTION ARE EXEMPT FROM FEDERAL POWER COMMISSION REGULATION AS "PRODUCTION OR GATHERING OF NATURAL GAS"	12
1. What the "Production or Gathering" Exemption Means	14
a. Understanding in the Art	15
b. Legislative History	30
(1) Enactment of Natural Gas Act	32
(2) Bill Proposed in 1936—Lea Bill	33
(3) The Controlling Explanation Given at the Hearings on H.R. 11662	33
(4) Revised Natural Gas Bill of 1936—H.R. 12680	39

PAGE

(5) The Completed Bills of 1937 and Final Passage 40

(6) Explanatory Statement Made in the Congressional Debates 41

(7) Conclusion as to Legislative History 43

2. Conclusion as to the Meaning of "Production or Gathering" 44

III. The Sales Here in Question are Not Sales "In Interstate Commerce" Under the Natural Gas Act 46

Conclusion 53

CASES.

	PAGE
Alexander v. *Cosden Pipe Line Co.*, 290 U. S. 484	16
Caminol Co. Ltd. v. *U. S.*, 41 F. Supp. 819	18
Canadian River Gas Co. v. *F. P. C.*, 324 U. S. 581	12, 13
Carter v. *Va.*, 321 U. S. 131	49
Champlin Refining Co. v. *Corp. Comm.*, 286 U. S. 210	49
Coe v. *Errol*, 116 U. S. 517	49
Colorado Interstate Gas Co. v. *F. P. C.*, 324 U. S. 581	12, 54
Conn. L. & P. Co. v. *F. P. C.*, 324 U. S. 515	14, 32
Coverdale v. *Ark.-La. Pipe Line Co.*, 303 U. S. 604	53
Dept. of Treasury v. *Wood Preserving Corp.*, 313 U. S. 62	50
Federal Compress Co. v. *McClean*, 291 U. S. 17	49
F. P. C. v. *Hope Nat. Gas Co.*, 320 U. S. 591	32
F. T. C. v. *Bunte Bros.*, 312 U. S. 349	48, 51
Hope Nat. Gas Co. v. *Hall.*, 274 U. S. 284	49
Ill. Nat. Gas Co. v. *Central Ill. Pub. Service Co.*, 314 U. S. 498	48
Kidd v. *Pearson*, 128 U. S. 1	49
Mauer v. *Hamilton*, 309 U. S. 598	48
Milk Control Bd. v. *Eisenberg Co.*, 306 U. S. 346	12, 50
Missouri v. *Kansas Gas Co.*, 265 U. S. 298	52
O'Hara v. *Luckenback S. S. Co.*, 269 U. S. 364	15
Parker v. *Brown*, 317 U. S. 341	49
Pennsylvania v. *W. Va.*, 262 U. S. 553	50
P. S. C. v. *Attleboro Steam & Elec. Co.*, 273 U. S. 83	52
P. U. C. v. *United Fuel Co.*, 317 U. S. 456	48
Railroad Commission v. *Rowan & Nichols*, 310 U. S. 573	49
Santa Cruz Co. v. *N. L. R. B.*, 303 U. S. 453	51
Stafford v. *Wallace*, 258 U. S. 495	51
Townsend v. *Yeomans*, 301 U. S. 441	50
Turner v. *Maryland*, 107 U. S. 38	50
U. S. v. *Darby*, 312 U. S. 100	47
Wickard v. *Filburn*, 317 U. S. 111	47

Statutes.

	Page
Judicial Code, Sections 239, 240	1
Federal Power Act, 49 Stat. 838	14
Natural Gas Act, 52 Stat. 821	
Section 1(b)	6, 7, 12, 40, 46
Section 2(7)	6, 7, 46, 52
Section 5(a)	6, 8
Section 19	6

Reports.

Congressional Record, Vol. 81, p. 8675 *et seq.*	41 *et seq.*
House Report 709 (75th Cong. 2d Sess.)	48
Federal Trade Commission Report, 63d Congress	15
Federal Trade Commission, Final Report (Senate Document 92, Part 84-A)	16
"Practices and Problems in Producing, Gathering and Processing Natural Gas"	29
Record of Hearings, H. R. 11662	33
Senate Report 1162 (75th Cong. 2d Sess.)	48

Miscellaneous.

Ball, "This Fascinating Oil Business"	20
F. P. C. Uniform System of Accounts	23 *et seq.*
Glassmire, "Oil and Gas Leases and Royalties"	21
Landis, "A Note on Statutory Interpretation", 43 Harvard L. Rev.	31
Leven, "Done on Oil"	21
Porter, Petroleum Dictionary	21
W. P. B. Order P-98	22

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Respondents.

PETITIONER'S BRIEF.

The Opinions Below.

The Opinion and Order of the Circuit Court of Appeals here on review is reported in 156 F. 2d. 949. The Opinion and Order of the Federal Power Commission affirmed by said Court is reported in 3 F. P. C. 416, 48 P. U. R. (N. S.) 267.

Jurisdiction.

Pursuant to Section 19(b) of the Natural Gas Act (52 Stat. 821, 15 U. S. C. Sec. 717r(b)) and Sections 239 and 240 of the Judicial Code as amended (28 U. S. C. Secs. 346

and 347), petitioner filed a timely petition for certiorari to review a final order of the Circuit Court of Appeals for the Fifth Circuit which was denied on January 6, 1947. Petition for rehearing thereon was filed pursuant to Rule 33 and on February 10, 1947, your Honorable Court vacated the Order of January 6, 1947, and granted certiorari limited to the first three questions of the original petition.

Statement.

1. *Nature of the Proceeding.*

This proceeding is to review the judgment of the United States Circuit Court of Appeals for the Fifth Circuit denying petitioner's petition for review of a rate order of the Federal Power Commission (herein called the "Commission"). By the denial of the petition there was an affirmance of the Commission's order that sales of natural gas made by petitioner from its producing and gathering system in the Monroe Gas Field in Louisiana were subject to the Commission's jurisdiction and rate order under the Natural Gas Act (herein referred to as the Act) (52 Stat. 821, 15 U. S. C. Sec. 717, *et seq.*).

2. *Petitioner's Operations.*

Petitioner makes some sales of natural gas from a trunk pipe line system which extends from the Monroe Field in Louisiana southward through Mississippi and back into Louisiana, which sales of natural gas are made to local distributing companies for resale. That part of the Commission's order relating to these trunk line sales outside of the field to distributing companies is not a subject of this proceeding. Aside from the foregoing sales, however, peti-

tioner makes sales which it contends, and contended before the Circuit Court and the Commission, on petition for rehearing, are not subject to price regulation by the Federal Power Commission. The remainder of this brief will be confined to those sales which petitioner claims are unregulable by the Commission.

The Commission in this case used 1941 as the "test year" on which to determine those operative facts of its rate order (R. I, 64, 67, 68, 70, 72, 75, 77-78, 85). In that year petitioner owned and controlled entirely within the Louisiana Monroe Field 56,556 acres of natural gas lands and rights (R. II, 561) and 110 natural gas producing wells (R. II, 561, 609) and an extensive gathering system of pipe lines connected to said wells and the wells and gathering lines of other producers (R. II, 526-528, 563, 564, 569, *et seq.*, 607-610). Petitioner purchased gas from these other producers, and all gas so purchased and that produced by petitioner comes from gas wells in the Monroe Field. The gas so produced and purchased is commingled (R. II, 576, 577) and delivered to three pipe line companies (each a natural-gas company under the Act) to furnish a part of their supply from the field: The Mississippi River Fuel Corporation gets 22% of its requirements; Southern Natural Gas Company gets 16.6125% of its requirements; and Memphis Natural Gas Company gets 24% of its requirements (R. II, 794).[1] These companies then compress this gas, commingled with that obtained by them from other producers within the same field and other fields, and transport it *for the first time* out of the field and out of state (R. II, 577-581). All

[1] These percentages of supply are furnished conjointly by petitioner and Hope Producing Company, the latter not being here involved.

of the foregoing operations of petitioner take place *entirely within* the Monroe Gas Field which is entirely within the State of Louisiana.[2] All three purchasing companies receive their gas from petitioner in substantially the same manner: the gas is delivered at natural field pressures by petitioner at the purchaser's meters. (See photographs R. II, 584, 585, 590, 594, 597.) At this point all control by petitioner ceases and thereafter the purchasing companies do whatever is needed to prepare the gas for its transportation to markets in other states. The gas flows into headers (a common or manifold pipe) and is commingled with gas procured from other sellers. This commingled gas is then passed through a series of scrubbers to remove dirt and the other solids in the gas and then goes into the suction or intake side of the compressor station. In order to put the gas into shape for transportation out of the state, it is necessary to increase the pressure at which it is received from petitioner. This is done at the purchasers' compressor stations. (See photographs R. II, 582-598.) There the gas is passed through one and often two stages of compression. This pumping by the purchasers' boosts the pressure from the 100 to 150 pounds at which petitioner delivers to 425 to 450 pounds. The gas is moved out of Louisiana by the purchasing companies: Mississippi River Fuel Corporation transporting it to Arkansas, Missouri and Illinois; Southern Natural Gas Company to Mississippi, Alabama and Georgia; Memphis Natural Gas Company to Arkansas and Tennessee, where it is sold to distributing companies for resale, and to industrial consumers for use as fuel (R. I,

[2] The Monroe Field is roughly oval in shape and extends 30 miles north and south and about 20 miles east and west, enclosing an area of about 234,500 acres. Petitioner's acreage (56,556 acres) is 24% of the field (R. II, 561, 659).

150-154, R. II, 576-580, 619-620). Thus petitioner sells the gas within the field, surrenders all control at the delivery points in the field, and the gas is then cleaned, compressed and readied for transportation and delivery by the three purchasing pipe line companies. The detail of the flow of the gas from the wells to the points of sale is described in footnote 8, page 45, *infra*.

3. *The Commission's Order.*

The Commission in its rate order reduced the rates to the three pipe line companies, previously established by negotiated contract (R. II, 555-558, 792-807), from an average of 7.39 cents to 4.66 cents per M.c.f. (R. II, 827), a total per annum reduction of $596,320 based on 1941.

The Commission felt that because petitioner was a natural-gas company due to the regulable character of the sales to the Baton Rouge area and because the gas flowed continually from the wells to the ultimate points of sale to the distribution companies, the sales were "in interstate commerce" and were not excluded as being part of the "production or gathering" of gas. The Commission held that under proper legal interpretation, the clause in Section 1(b) of the Act excluding from jurisdiction "production or gathering" of gas relates only to certain of the physical activities of producing and gathering and does not include within its scope a sale made in the course of the operation of such production or gathering system (R. I, 60-62).

The Commission found in its order that petitioner did engage in production, that it did engage in gathering and that the produced and purchased gas was then "transported" in interstate commerce to the points of sale to

the three purchasing pipe line companies. (See Commission findings 7-11, R. I, 82-83). This finding is not one merely of fact, but a legal conclusion that the movement of gas prior to the three sales in question constituted jurisdictional transportation in interstate commerce.

Nowhere does the Commission point out where its jurisdiction attaches. It does not say that it is at the point of sale at petitioner's meters, at any particular point on the field system, whether on the final branches of that system, or in any preceding point nearer the wells, or at the well itself. The Commission merely finds that at some point between the actual point of production and the point of sale, the movement is changed from that of gathering to jurisdictional transportation in interstate commerce. Having so found, it decided that the sales so made were sales in interstate commerce and therefore subject to rate regulation.

4. *Proceedings Below.*

Petitioner seasonably applied for a rehearing of the Commission's order (R. I, 93-100) which is a prerequisite to further review proceedings (52 Stat. 821, Sec. 19, 15 U. S. C. 717r(b)) assigning as reasons therefor that the Commission lacked jurisdiction under Sections 1(b), 2(7) and 5(a)[3]

---

[3] Sections 1(b), 2(7) and 5(a) insofar as here material are as follows:

"Section 1.

* * * * * * * * *

"(b) The provisions of this act shall apply to the transportation of natural gas in interstate commerce, to the sale in interstate commerce of natural gas for resale for ultimate public consumption for domestic, commercial, industrial, or any other use, and to natural-gas companies engaged in such transportation or sale, but shall not apply to any other transportation or sale of natural gas or to the local distribution of

of the act (52 Stat. 821, 15 U. S. C. Secs. 717(b), 717a(7), 717d(a)). The petition was denied and petitioner duly asked the Circuit Court of Appeals to review the order and reverse.

The Circuit Court dismissed the petition for review (156 F. 2d 949). Judge Waller, dissenting, stated that the Commission did not have jurisdiction because (a) the sales in question were part of the production and gathering of gas under Section 1(b) of the Natural Gas Act, and (b) were not sales in interstate commerce which is a further determinant of the Commission's jurisdiction under Section 1(b) and as defined in Section 2(7).

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natural gas or to the facilities used for such distribution or to the production or gathering of natural gas."

"Section 2. When used in this act, unless the context otherwise requires—

* * * * * * *

"(7) 'Interstate commerce' means commerce between any point in a State and any point outside thereof, or between points within the same State but through any place outside thereof, but only insofar as such commerce takes place within the United States."

"Section 5.

"(a) Whenever the Commission, after a hearing had upon its own motion or upon complaint of any State, municipality, State Commission, or gas distributing company, shall find that any rate, charge, or classification demanded, observed, charged, or collected by any natural-gas company in connection with any transportation or sale of natural gas, subject to the jurisdiction of the Commission, or that any rule, regulation, practice, or contract affecting such rate, charge, or classification is unjust, unreasonable, unduly discriminatory, or preferential, the Commission shall determine the just and reasonable rate, charge, classification, rule, regulation, practice, or contract to be thereafter observed and in force, and shall fix the same by order * * *."

Specification of Errors.

The Circuit Court of Appeals erred in upholding the order of the Commission in each of the following:

(1) The Circuit Court of Appeals erred in holding that the Commission has jurisdiction under the rate-fixing section of the Natural Gas Act (52 Stat. 821 Sec. 5(a), 15 U. S. C. Sec. 717d(a)) to regulate the sales price of natural gas produced or purchased by petitioner, gathered from wells and delivered in the producing field without further control to purchasing pipe line companies which commingle this gas with gas purchased from others in the field, clean and put the gas through two stages of compression and only thereafter start the transportation of the gas out of the field and out of the state for sale for resale elsewhere.

(2) The Circuit Court of Appeals erred in failing to hold that said sales were intended to be exempt from the Natural Gas Act when Congress put into the jurisdictional provision the following:

> "* * * but [the Act] shall not apply to any other transportation or sale of natural gas or * * * to the production or gathering of natural gas." (52 Stat. 821, Sec. 1(b), 15 U. S. C. Sec. 717(b)).

(3) The Circuit Court of Appeals erred in failing to hold that the Commission had no jurisdiction over the sales here in question because said sales were not sales in interstate commerce as required by the Natural Gas Act (52 Stat. 821, Sec. 1(b), 15 U. S. C. Sec. 717(b)) as such interstate commerce is defined in the Act (52 Stat. 821, Sec. 2(7), 15 U. S. C. Sec. 717a(7)).

Summary of Argument.

I.

This is a case involving only jurisdictional questions and, therefore, one requiring strict adherence to the grant of power made by Congress. The Commission, however, made a legal conclusion of jurisdiction, without legal or factual support, which logically extends its price-fixing authority to wherever it wishes to go, and nullifies the express restrictions imposed by Congress.

II.

The Act itself is clear in exempting the sales here involved as "production or gathering of natural gas". Since production or gathering cannot take place without a sale following, the exemption must of necessity include the sale. The physical characteristics of natural gas require that some disposition be made of it immediately following its production and gathering since it does not lend itself to storage in transit, as is possible with oil and coal or other products not gaseous. The exemption terms being words of art have the meaning ascribed in the art and, as thus construed, the Commission's conclusion of jurisdiction violates the Act. This is the important matter of definition and understanding of the meaning of "production or gathering". All witnesses in the case, including the Commission's, recognized the meaning of the term "production or gathering" and presented the factual basis accordingly.

The legislative history shows an unswerving purpose to adhere to the usual and technical meaning of the words. The progress of the successive drafts of the Bill finally enacted and the enlargement of the exemption provision itself un-

equivocally show the intention of those in Congress. Furthermore, the language adopted was appropriate to this intention.

The inescapable conclusion from the Act, the legislative history, and the evidence, is that jurisdictional transmission does not begin until the gas starts its interstate journey through the interstate pipe line company's trunk system. The whole factual scheme of petitioner's Monroe Field system negates the propriety of the Commission's refusal to find these disputed sales were part of production and gathering.

III.

The cases under the commerce clause of the Constitution dealing with Acts relating only "to sales in interstate commerce" have uniformly held that such commerce is not involved at the point where one surrenders title and control within the production state—the case here. In addition, where the policy of supplementing and not supplanting state law is involved, as in the Natural Gas Act, this Court has refused to extend Federal jurisdiction where the states may control the activity. States may and do control the activities here in dispute.

The facts of this case show compression of gas destined for interstate shipment by purchasers—an activity which states may tax—which in effect packages and prepares the product for interstate shipment.

IV.

The Commission's legal conclusion of jurisdiction in spite of the limitations of "production or gathering" and "sales in interstate commerce" is based upon tenuous reasoning and misapprehension of the facts. That petitioner operates an integrated system which has some admittedly

regulable business is no more a proper foundation for over-all jurisdiction than is the fact that an integrated trunk line system makes unregulable sales.

The Commission, if it be logical, could by its rationale carry its jurisdiction to the well of an independent producer or to any absurd extreme. Nowhere does it point out where its jurisdiction begins.

ARGUMENT.

I.

Preliminary Statement.

Petitioner conceives of this proceeding as one relating only to the question of jurisdiction. Especially is this so since this Honorable Court eliminated the sole non-jurisdictional issue—*i. e.*, question number 4 which related to confiscation. Thus we have for determination that which is not subject to broad administrative power, discretion, and judgment; but instead that which is governed by inexorable standards of the boundaries of power to act in the first instance.

In its opinion, the Commission made a legal conclusion of jurisdiction without pointing out the line of demarcation. It felt, apparently, that since petitioner commingled gas which it produced with that secured from other producers, the production and gathering function both ceased and from then on there was transportation in interstate commerce subject to price regulation by the Commission (R. I. 60). These first sales within the Monroe Field are still in the gathering process as will appear in the discussion of the gathering function under part II of this brief. Also they are not price regulable sales since they are not yet

"sales in interstate commerce" as set forth in the Act (cf. *Milk Control Board* v. *Eisenberg Company*, 306 U. S. 346, 352-353). That petitioner is a "natural-gas company" under the Act does not subject all of its sales wherever and however made to price regulation by the Commission. This Court has recognized that the Commission must by some method judicially deemed reasonable limit itself only to that over which it has price-fixing jurisdiction, *e. g.* in allocating costs as between direct sales and those made to distributing companies for resale (*Colorado Interstate Gas Co.* v. *Federal Power Commission*, 324 U. S. 581, 588). The same is true of that part of its business which petitioner has conceded is price regulable by the Commission. The limitations of the Act have meaning and force (*Colorado Interstate Gas Co.* v. *Federal Power Commission*, 324 U. S. 581, 602-603) and the Commission cannot avoid these limitations by bald conclusions of law based on the desire to arrogate unto itself powers not provided nor intended by Congress.

II.

The Sales here in question are exempt from Federal Power Commission regulation as "production or gathering of natural gas."

The Court below and Commission Counsel have obviously taken *Canadian River Gas Company* v. *Federal Power Commission* (324 U. S. 581) as an Open Sesame to Commission jurisdiction over the production and gathering functions of every "natural-gas company" regardless of the inhibiting features of Section 1(b) (15 U. S. C. Sec. 717(a)) of the Act. In that case, this Court, after holding that the inclusion of production and gathering properties in the rate base did not violate the Act, stated:

> "That does not mean that the part of Section 1(b) which provides that the Act shall not apply 'to the production or gathering of natural gas' is given no meaning. Certainly that provision precludes the Commission from any control over the activity of producing or gathering natural gas. For example, it makes plain that the Commission has no control over the drilling and spacing of wells and the like. *It may put other limitations on the Commission.* We only decide that it does not preclude the Commission from reflecting the production and gathering facilities of a natural gas company in the rate base and determining the expenses incident thereto for the purposes of determining the reasonableness of rates subject to its jurisdiction" (Emphasis supplied). (324 U. S. 581 at 602-603).

Certainly the Court by adopting the italicized language felt that the exemption provision was not without effect. In the case at bar, the Commission has directly affected the field sales set forth above by prescribing the only applicable rate—an immediate impact upon the functions of production and gathering.[4]

The Court below did not distinguish the *Canadian* case from the case at bar *nor did it hold that the sales in question were not the last of a series of acts all involving the production and gathering of gas.* Mr. Justice Waller (dissenting), however, discerned the distinction between this and the *Canadian* case when he stated:

> "Natural gas must be transported to market to the same extent as any other commercial production.

[4] "It is true that the Act excludes 'production or gathering of natural gas' from jurisdiction of the Commission. If the Commission had imposed any direct regulation upon that activity, I would join in finding it to have exceeded its jurisdiction. But the orders in question have no immediate 'impact' upon production or gathering of gas." (Concurring opinion of Mr. Justice Jackson in *Canadian River Gas Co.* v. *Federal Power Commission*, 324 U. S. 581 at 609)

> The gathering and transporting of gas to a place of sale is as essential to the production of gas as is the drilling of a gas well. Regulation of the production is forbidden, but if the Commission is given the power to regulate the price which the producer and gatherer receives at the end of the intrastate journey at the pipe line of the interstate purchaser, it is also given the power to regulate production. If the price which the producer and gatherer gets for the gas which he has produced and gathered is less than it costs to produce it, production will be thereby regulated indirectly, but, withal, as effectively as if Congress had expressly conferred such authority upon the Commission" (156 F. 2d. at 956).

The recognition by Mr. Justice Waller that the sale is an essential part of the production and gathering of gas, is based upon the physical characteristics peculiar to natural gas. It must be confined within pipe lines, it cannot be produced and stored in the production fields for subsequent shipment and sale, but as soon as produced must be taken from the well through gathering systems from which some sale or other disposition must be made. Whenever a sale or other disposition of gas is prevented, then the production and gathering must cease.

1. *What the "Production or Gathering" Exemption Means.*

Except for the narrow holding in the *Canadian River* case, we do not have the conclusion of this Honorable Court on the meaning of the "production or gathering" exemption of the Act. This Court, as shown in the quotation from the *Canadian* case, reserved judgment on the full meaning of the term.

Like the Federal Power Act (49 Stat. 838, 16 U. S. C. 79a; see *Connecticut L. & P. Co.* v. *Federal Power Commission*, 324 U. S. 515, 529-530) the Natural Gas Act is couched

largely in the technical language of the art. Such being the case, the words "production or gathering" should be construed in the light of the understanding of those in the particular trade, business or transaction (See *O'Hara* v. *Luckenback S. S. Co.*, 269 U. S. 364, 371).

a. Understanding in the Art.

In the understanding of the petroleum art, "production or gathering" compasses those functions of petitioner which it here claims are unregulable by the Commission. This is evident from many sources.

In 1916 the Federal Trade Commission, pursuant to Senate Resolution No. 109, 63d Congress, 1st Session, submitted a report entitled "Report on Pipe Line Transportation of Petroleum" relating to the rates *et cetera* of oil pipe line systems. At page 70 thereof the Commission stated that two distinct services were rendered, a gathering service and a transportation service. In describing the gathering service, the type of operation carried on by petitioner was very clearly described:

> "GATHERING LINES.—The gathering lines comprise those lines which receive the crude oil from the producers' tanks and deliver it into the receiving tanks at a pumping station of the gathering or trunk line or deliver it directly into the main pipe line. The primary function performed by the gathering lines is that of collecting the oil from the wells and delivering it to a receiving station from which it can be transported to its destination."
>
> . . . . . .
>
> "TRUNK LINES.—The trunk or main line comprises those lines which receive the oil from the gathering lines and relay it from station to station until it reaches its final destination or is transferred to some other carrier. Its sole function is that of

transporting oil, and it includes the main lines and also the lateral lines leading from the receiving stations to the main artery of the trunk line."

In the Final Report of The Federal Trade Commission, referred to in Section 1 of the Act (Senate Document 92, Part 84-A) as a basis for its enactment, there is this classification:

"Production companies, as classified, are those companies which own gas leases, wells, and pipe lines which connect the wells with the transmission system * * *. (Ibid 286)

* * * * * *

"Producing and transmitting companies are those which own transmission pipe lines in addition to wells, leases, and gathering lines. This class of companies also owns and operates compressor stations which are utilized to boost the pressure within the transmission line and to pump natural gas from wells in which the normal, or rock, pressure is not sufficient to meet operating requirements. (Ibid 286)

* * * * * *

"* * * Transmitting companies are those which own and operate the main transmission pipe lines from the point of receipt of gas from field-gathering lines to the points of delivery of gas to distributing companies at town border measuring stations, to industrial plants, and to other customers." (Ibid 286)

A distinction apropos here has been made in cases under the Revenue Acts.

In *Alexander* v. *Cosden Pipe Line Company*, 290 U. S. 484, 491, 78 L. ed. 452, the United States Supreme Court considered the scope of the "gathering" operation in connection with the tax imposed by the Federal Revenue Acts of 1917 and 1918 upon "the transportation of oil by pipe

line"—the tax being applicable to both common and private carriers. The Tax Commission assessed a tax against Cosden and Company upon the theory that its delivery of oil to a particular point constituted *both* a gathering and a trunk line transportation service. The lower courts held that the assessment was erroneous because the delivery involved only a gathering service. And the Supreme Court affirmed this portion of the lower court's decision, saying (290 U. S. 491):

> "The plaintiff, an Oklahoma corporation, owns pipe lines leading into Tulsa, Oklahoma, from oil fields in that State and operates its lines in the transportation, intrastate, of crude oil. All of its stock is owned by Cosden and Company, another Oklahoma corporation, which operates an oil refinery at Tulsa. * * *
>
> "The plaintiff is engaged chiefly in carrying oil for Cosden and Company, but it also carries large quantities for others. It does not hold itself out as a common carrier, is not required by the State to file or publish rates or tariffs, and does not file or promulgate either. Common carrier pipe lines operating in the vicinity of the plaintiff's lines have both trunk lines and gathering lines—and also tariff stations at which oil is received into the trunk lines. The plaintiff has no tariff stations and receives oil at any place along its lines where it can obtain the oil. Its lines are gathering lines only and comparable only to the gathering lines of the common carriers; and the service which it renders, as compared with that rendered by the common carriers, is a gathering service only. While not appearing in the findings, the stipulated facts included the following:
>
> 'Any pipe line reaching from any point where oil is purchased or produced to the trunk or main line or to storage tanks at or near the main or trunk line or to tank farms is called a gathering

line, without regard to its size, the distance, or the amount of oil carried through such line to the trunk or main pipe line, or to the trunk or main pipe line storage tanks, or to a tank farm.' "

An important case in point following the *Cosden* decision is *Caminol Co., Ltd.* v. *United States* (41 Fed. Supp. 819, 823). This involved Section 731 of the Federal Revenue Act of 1932 which applies a tax on the transportation of crude petroleum by pipe line. In accordance with the statute, the Tax Commissioner, after hearings, or conferences, fixed two tax rates—one applicable to the "gathering" of petroleum, and the second applicable to "transporting". The Commissioner assessed the Caminol Company at the "transporting" tax rate, and Caminol (together with other plaintiffs) sued to recover a portion of the tax on the ground that it should have been assessed at the lower "gathering" tax rate. The Court found for the plaintiff and rendered judgment of recovery. In determining that the Caminol Company was engaged in a "gathering" operation, the Court relies upon the *Cosden* case, and, after quoting extensively from that decision, continues (41 Fed. Supp. 823):

"The carriage of oil herein considered is essentially similar to that held 'gathering' in the Cosden case. * * * Caminol's oil was conveyed from the settling tanks at the wells by small lateral or feeding lines to a larger pipe line and thence, for a distance of slightly more than two miles, to its refinery. There were no storage or receiving tanks or stations or pumps at the junctions of the lateral lines with the larger line, but such feeding lines were directly joined to the larger one. The oil thus conveyed was forced through said lines by said plaintiff's pumps maintained at the wells where the oil was produced and gauged. When so transported the oil either was delivered immediately

to the refinery or placed in storage tanks near the refinery where it was held until needed for refining. Such tanks were incident to the operation of the refinery. All the oil in question was transported in uninterrupted movement from the place of production to that of refinement.

"There is further similarity between the Cosden case and the instant actions. The definition of gathering in said case was substantially the same as that agreed to at the conference at Washington. In that case (Cosden) it was said:

'While not appearing in the findings, the stipulated facts included the following:

"*Any pipe line reaching from any point where oil is purchased or produced to the trunk or main line* or to storage tanks at or near the main or trunk line or to tank farms is called *a gathering line,* without regard to its size, the distance, or the amount of oil carried through such line to the trunk or main pipe line, or to the trunk or main pipe line storage tanks, or to a tank farm.

"The gathering charge is a sum paid for the service rendered in moving oil from the point where it is tendered to or received by the carrier, whether it be the working tank at the well or the storage tanks in the field, to the trunk or main line tariff stations, or to a tank farm of the carrier or to main-line storage tanks. * * *"

'As heretofore defined, the conference understanding was that *gathering is the movement of the oil from the point where gauged for royalty purposes* (generally the settling or flow tanks at the wells where the oil is produced) *to the trunk or main pipe line* (generally storage tanks situated at the main line). (Italics as in Opinion.)'"

In addition books and treatises have sustained the position of petitioner. A recent book, entitled "This Fascinat-

ing Oil Business,"[5] also illustrates the practical distinction between "gathering" and "transmission". Chapter X of this book is entitled "Transporting the Oil", and it contains (at page 175) the following apt discussion:

"THE GATHERING SYSTEM"

"The initial pipe-line task is to get the oil from the lease tanks, scattered about the field on the various leases, to a central pump station at the beginning of the main line. This is done through 'gathering lines' from two inches to eight inches in diameter, usually buried from a foot to three feet below the ground, though in warm climates, and in fields where the oil does not congeal when cold, some of them may be above ground. The oil may flow through them by gravity or be forced through them by 'field pumps' or 'gathering pumps'. In a good-sized field there are many miles of gathering lines, and the investment in them and their pumps and auxiliary tanks may run into hundreds of thousands of dollars. * * *"

"TANKAGE"

"The gathering system delivers the oil into big steel tanks at the main pump station, where it is stored until it goes into the main line. * * *"

"THE PUMP STATIONS"

"The trunk-line pump station to which the gathering system delivers the oil is equipped with powerful pumps for propelling the oil through the line. If the line is long, similar pump stations will be located at intervals along it, usually about forty miles apart in level country and closer together in crossing mountains. * * *"

* * * * * * *

[5] Author: Max W. Ball; Publisher: The Bobbs Merrill Company.

"THE TRUNK LINE"

"The trunk line is to a pipe-line system what the main line is to a railroad, with the gathering system comparable to the spurs and sidings and the pump stations to the motive power."

In 1930, Hollis P. Porter published a book entitled "Petroleum Dictionary for Office, Field and Factory" (The Gulf Publishing Company, Houston, Texas), containing the following definition of gathering lines for natural gas:

"GATHERING LINES. Pipes connecting production tanks at oil wells with trunk pipe lines. In natural and casinghead gas systems, the lines that connect with the wells and carry the gas to the main pipe lines."

In Glassmire's treatise on "Oil and Gas Leases and Royalties" (Thomas Law Book Company, Second Edition, 1938), the following statement appears under the heading "The Production of Petroleum," at page 29:

"Movement of oil in gathering lines, or from wells to storage, does not constitute transportation of oil within the federal laws, but movement by pipe line to a distant market or a refinery located in another state is transportation in interstate commerce. *Carter Oil Company* vs. *Alexander*, 50 Fed. (2d) 214; *In re Champlain Ref. Co.* (1927), 129 Okla. 166; 264 Pac. 160."

In the recent handbook, entitled "Done on Oil", by David D. Leven (Carldon Publishers, New York, 1941), the following statement is made at page 49 under the heading of "Transportation":

"A pipe line system consists of two divisions. One is a gathering system which transports the oil

> from the wells to points of delivery within the gathering districts or to lines for transportation beyond such a district. The trunk line system is used for transporting the oil which has been gathered from the wells or received from connecting lines to distant refineries or seaboard."

During the war, the emergency regulation of the natural gas industry for the purposes of allocating materials was committed to the War Production Board. But because of the association of gas and oil in the field, the W. P. B. transferred to another War agency, the Petroleum Administration for War, the regulation of natural gas "production". The War Production Board retained for regulation by itself the "public utility functions" of the natural gas business, *i. e.*, "transmission and distribution". After several preliminary orders, the War Production Board on March 14, 1942, issued Preference Rating Order No. P-98 (Federal Register, Vol. 7, p. 2099, March 17, 1942), giving to the Petroleum Administration for War control over the production of petroleum, including natural gas. In defining the scope of the jurisdiction so transferred to the Petroleum Administration for War, the War Production Board used the following principal definitions:

> "(3) *'Main Gas Trunk Line'*—means any pipeline and appurtenant structures carried as a 'trunk line' on the books of an Operator in accordance with the regulations of any duly constituted public regulatory body or, where there is no duly constituted public regulatory body regulating the accounting procedures of the Operator, carried as a 'trunk line' on the books of an Operator for Federal or Dominion (whichever is appropriate) Income Tax purposes.
>
> "(4) *'Production'*—means the discovery, development and depletion of Petroleum Pools; • • • the

operation of any facility for the processing of natural gas, including but not limited to natural gasoline extraction plants, field pressure maintenance plants, repressuring plants, cycling plants, dehydration plants, or desulphurization plants; the operation of any natural gas connecting lines from a wellhead connection or from a Main Gas Trunk Line to or from such plants; and *the operation of any stationary gathering systems or surface connections for the conveyance of natural gas to the point of connection with a Main Gas Trunk Line.*" (Italics supplied.)

Even the Commission's own staff experts classified the physical properties through which the gas is delivered in the Monroe Field as production plant under the Commission's prescribed accounting methods.

In preparation for the hearings in these rate proceedings, several members of the Commission's staff spent months in Monroe, Louisiana, inspecting petitioner's property and preparing reclassification and other studies thereof.

One such staff member was the witness Magruder. This witness is one of the Commission's Principal Examiner of Accounts, with an impressive experience in accounting matters with a number of oil companies and with the Gas Utilities Division—Railroad Commission of Texas, prior to his work with the Federal Power Commission. On the basis of his work in Monroe, he prepared a reclassification of petitioner's property in accordance with the Commission's Uniform System of Accounts (herein referred to as the "Code") (R. I. 333, 334, 335; R. II. 687). He followed the instructions of the Code, including No. 16 which is a definition of the property to be classified in the accounts as "Transmission System". This reads:

"A. 'Transmission system' means the land, structures, mains, valves, meters, boosters, regulators,

tanks, compressors, and their driving units and appurtenances and other equipment used primarily for transmitting gas to a particular municipality or distribution system. The transmission system begins at the outlet side of the valve at the connection between *the gathering lines* or other source of supply and inlet to the transmission compressor station or other *gathering terminals,* and includes the equipment at such connection that is used to bring the gas to transmission pressure, and ends at the inlet side of the equipment which meters or regulates the entry of gas into the distribution system. It does not include storage land or structures." (Italics supplied) (Page 51 Uniform System of Accounts.)

Mr. Magruder included under the designated account for Transmission Mains, No. 353, the lines T-1 and T-9 in accordance with the appropriate instructions (R. I. 336; R. II. 685, 696).

The field lines were classified in his exhibit in accordance with the specific instructions found under "Production Plant" (R. I. 336-337). These read:

"333.1 Field Lines

"This acount shall include the cost installed of field lines used in *conveying natural gas from the wells to the point where it enters the transmission* or distribution system.

"1. Line drips and separators.

"2. *Gathering Lines,* including pipes, valves, fittings, and supports.

"333.2 Field Measuring and Regulating Station Equipment

"A. This account shall include the cost installed of meters, gauges, and other equipment used in measuring or regulating *natural gas collected in field*

lines before it is conveyed to the point where it enters the transmission or distribution system.

"B. This account shall be subdivided as follows:

"333.21 Field Compressor Station Equipment.

"333.22 Field Measuring and Regulating Station Equipment." (Italics Supplied) (Page 63 Uniform System of Accounts.)

Each field line from F-1 to the last constructed field line shown on petitioner's books was specifically classified by the witness as a part of production plant (R. I. 337) and was included under those headings in the classification exhibit (R. II. 684, 695).

Thus it is clear that the very same pipe lines through which the gas flows to the points of delivery to the three pipe line companies are classified, under rules established officially by the Commission itself in the Code, as *gathering lines*. The witness proceeded strictly in accordance with those rules and not a single foot of field lines was classified as a transmission line. Only lines T-1 to T-9 transporting gas to Baton Rouge were placed under "Transmission Plant" (conceded to be subject to Commission jurisdiction). Since the field lines are "gathering lines" under Code account 333.1, then it follows inevitably that the functional operation of those lines is the activity of "gathering".

In a later exhibit Mr. Magruder computed depreciation and depletion for petitioner's property. Here again the field lines were included under Production Plant—Account No. 333.1 (R. II. 740, 741, 746). To emphasize more strongly that these field lines are not treated in any sense as transporting gas, he computed the rate exactly as he did for producing acreage. This is on the basis of petitioner's remaining gas reserves, which ties the field lines indefinitely

to the life of the wells (R. II. 744, 746). This is entirely different from the manner of computing the depreciation rate for transmission lines. In no single instance were these field lines treated by the Commission staff as transporting instead of gathering gas.

Another member of the Commission staff who spent many months in Monroe examining petitioner's properties and operations was its engineer and geologist, Mr. Paul C. White, a practical gas engineer experienced in studying all engineering and scientific phases of the natural gas business (R. I. 283-289). This witness prepared three voluminous reports on petitioner's operations: a study of gas reserves (Exhibit 50), a study of service lives and depreciation (Exhibit 51), and a report of the petitioner's properties and operations (Exhibit 49).

Throughout Mr. White's testimony and in all his exhibits not one of the field lines used in making deliveries of gas to the three pipe line companies was listed or described under transmission plant. On the contrary, he placed them all under production plant.

In describing the operations of petitioner, he stated:

> "• • • The Interstate company owns and operates 110 gas wells in the Monroe Gas Field and *gathers this gas in the field* and *transports it from the said Monroe Gas Field,* located in northeast Louisiana through a *22-inch transmission pipe line* (looped), into the State of Mississippi and back into the State of Louisiana to Baton Rouge, Louisiana. (Italics supplied.) (R. II. 604).
>
> • • • • • • •
>
> "The Interstate company owns one *compressor* station (De Siard Station) *in the Monroe Gas Field* which compresses low pressure gas which the Inter-

state company produces and purchases in the Monroe Field *and transports from the field through pipe line* T-1. * * *" (Italics supplied.) (R. II. 606).

The same field operations take place in delivering gas to the three pipe line companies which they transport from the Monroe Field. These operations, constituting the gathering of gas for petitioner's own transmission line to Baton Rouge, likewise constitute the gathering of gas for sale to the three pipe line companies.

The map (R. II. 608) prepared by Mr. White to show the wells and field lines does not designate any field line as a part of transmission plant and shows lines T-1 and T-9 only so far as the map permits (R. I. 291). He speaks of petitioner's "integrated field pipe lines" (R. I. 609) from which gas is sold to the three pipe line companies (R. I. 610).

The map entitled "Transmission Pipe Line System" (R. II. 624) shows lines T-1 and T-9 and does not show a single field line used to deliver gas to the three pipe lines, although the outline of the Monroe Field is shown and included therein are those three pipe lines (R. I. 291). It is clear that Mr. White does not treat the gas delivered to those pipe lines as being "transported" prior to its delivery (T. I. 302, 303; R. II. 630).

In determining the methods and rates of depreciation this same witness reaffirms his classification of the field lines under production plant. He made a thorough inspection of the property and assured himself that the "units of property had been properly classified" (R. II. 676). He recommended a depletion plan for the total production plant, including field lines (Account 333.1) which means every line in the Monroe Field designated by the letter "F" (R. I. 325; 326; R. II. 678-680).

Transmission plant was placed on a straight line depreciation method and not a single field line was included under this plan (R. I. 319; R. II. 740, 741).

The cost of service, including a return on the net production plant of 6½ per cent (R. I. 396), for gas produced, purchased and delivered in the Monroe Field was determined by James V. O'Connor, Senior Rate Investigator, whose experience included work with the American Gas Association relating to natural gas companies (R. I. 369, 370). He arrived at a cost of gas delivered to the three pipe line companies and to petitioner's own De Siard Station at 4.66 cents per M.c.f. (R. I. 400; R. II. 827). He divided all operations of petitioner into "functional groupings" (R. I. 381), the first one being described thus:

> "(1) Monroe Field Operations, including the production and purchase of gas in Monroe Field, the delivery and sale of gas to three pipe line companies, and the delivery of gas to De Siard Compressor Station, the first compressor station on the Company's main pipe line to Baton Rouge." (R. II. 814.)

All the costs incurred in the Monroe Field, including the cost of operating all field lines, were assigned to this functional group, no separation being made of the cost of operating the field lines (R. I. 382).

In all computations made by the witness, "production operating expenses" were those so defined by the Code of Accounts (R. I. 382). An examination of the exhibit on costs shows that no part of the pipe lines used in delivering gas to the three pipe line companies was ever treated as transmission plant. Just as did the other witnesses, Magruder and White, Mr. O'Connor included under production plant all the field lines owned by petitioner. Without quoting therefrom, we refer the Court to the record (R. II. 816, 817, 818, 829, 831).

Probably the most recent pronouncement on the extent of the gathering function is contained in a Commission Staff report issued in March, 1947. In treating the general problem of the function of gathering, this report (F. P. C. G-580, *Practices and Problems in Producing, Gathering and Processing Natural Gas,* pp. 83-84) states:

> "The purpose of a gathering system is to collect gas from individual wells and deliver it to a central point for further disposition. In the case of gas produced with oil the gas is first separated from the oil at a trap or separator usually located at the well or at tank batteries. The individual lines from the wells will generally be connected to feeder lines or trunk lines from the various leases and merged at one point, generally at the intake of a natural gasoline plant. Regulators for controlling pressure may be installed in the gathering system. The discharge from the gasoline plant, unless the residue is vented, must be piped to a transmission line for marketing.
>
> "The point of separation of the gathering and transmission facilities often presents a difficult question as to which there is no standard or exact definition. In general practice, however, a gathering system would usually be regarded as extending to a point beyond the gasoline extraction plant and field compressor station, prior to receipt into the transmission system."

Petitioner extracts no natural gasoline because the gas out of this field is dry (R. I, 469).

Petitioner's own production superintendent considered the properties in question as gathering lines and stated they were always referred to as such (R. I, 171). He defined a gathering line as "a line that is projected into a section of the field to gather gas from numerous sources of supply" (R. I, 172) and at the same place in the record he stated:

> "Well, I would say that if you had a source of supply to be met, or a central point at which you wanted to gather the gas for delivery into a pipe line, I would say that the lines projected from this point to any place would be gathering lines, because the object of them is to gather gas and bring it to certain points" (R. I, 172).

b. Legislative History.

If the meaning of "production and gathering" still is uncertain, reference to the legislative history of the Natural Gas Act should clear the last vestige of doubt.

The Court below was content with using the following excerpt from the Senate and House Committee reports on the bill finally enacted (156 F. 2d. 949 at 952):

> "There is no intention in enacting the present legislation to disturb the states in their exercise of such jurisdiction. However, in the case of sales for resale, or so-called wholesale sales in interstate commerce, (for example sales by producing companies to distributing companies) the legal situation is different. Such transactions have been considered to be not local in character, and, even in the absence of congressional action, not subject to state regulation. (See *Missouri* v. *Kansas Gas Co.*, (1924) 265 U. S. 298, and *Public Service Commission* v. *Attleboro Steam & Electric Co.* (1927), 273 U. S. 83) The basic purpose of the present legislation is to occupy this field in which the Supreme Court has held that the States may not act."

From this it concluded that the Commission correctly determined that the disputed sales were regulable under the Natural Gas Act. There is in the Congressional Report or the portion quoted above or in any other bit of legislative history absolutely nothing to indicate a change in the pur-

pose of Congress when it decided only to regulate those features of the natural gas business occurring in interstate transmission and sale and not to touch those matters of either exclusive state or concurrent control. The Court below decided, however, that such change of purpose did occur. It is respectfully urged that even in the portion of the Report quoted by the Circuit Court, the Committees speak:

1. Of not disturbing state-jurisdiction;
2. Of sales at wholesale—giving as examples producer sales *to distributors*—here the three purchasing pipeline companies make the distributor sales;
3. The basic intention of extending control to those sales held by this Court to be beyond the jurisdiction of the States.

Out of the Circuit Court's own quotation the intention is clear: Where the States can act, the Federal Power Commission is not intended to act. To make this intention clearer and to obviate such a dispute as this, Congress further put into *the Act*—not a bill only, not a report only, and not a debate only, but into the Act itself—an express exception to the conference of jurisdiction.

Apparently the Court below and Commission Counsel have been trying to express and adapt that which has been observed by a distinguished legal scholar:

> "Successive drafts of the same Act do not simply succeed each other as isolated phenomena, but the substitution of one for another necessarily involves an element of choice often leaving little doubt as to the reasons governing such choice."[6]

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[6] Landis, A Note on Statutory Interpretation, 43 Harvard L. Rev. 886.

The Circuit Court stated that petitioner was fallacious in using the legislative history of previous drafts of the Act instead of the one finally enacted into law. The history,—including the previous drafts and reports thereon—however, instead of showing choices which indicate Congressional intent show an unswerving purpose to exempt the types of sales here in dispute.

This Court in *Connecticut L. & P. Co.* v. *Federal Power Commission* (324 U. S. 515) took occasion to criticize and reverse the Commission for unwonted arrogation of authority. The Court examined the Power Act and its legislative background to refute any specious argument of jurisdiction over the Connecticut Company and expressly dealt with using a flow argument in the face of Congressional limitation by pointing out that such a thesis can run jurisdiction to the toaster on the breakfast table which is an unthinkable thing in this republic. There this Court concerned itself with the complete legislative background and the professions of the framers of the bill who happened to be of the Commission Staff. Petitioner has done no more and if fallacy there be in so doing it is a fallacy of this Court. In addition in *Federal Power Commission* v. *Hope Natural Gas Company*, (320 U. S. 591 note 19) this Court considered the successive drafts of the bill.

(i) *The enactment of the Natural Gas Act:*

The first proposal for the regulation of sale and transportation of natural gas in interstate commerce was introduced in Congress in 1936. Subsequent bills were substituted and later new proposals were introduced before the final enactment of the Natural Gas Act in 1938. The legislative history of all of these measures is pertinent to the problem of interpretation now presented to the Court.

(2) *Bill Proposed in 1936—Lea Bill:*

Within three months following the submission of the Federal Trade Commission's Final Report, bills to regulate natural gas were introduced into both House and Senate. These were H. R. 11662 and S. 4480 (74 Congress, 2nd Session). The House bill is commonly referred to as the Lea Bill.

As introduced, the Lea Bill in large measure reflects the report of the Federal Trade Commission. It is obvious that, in H. R. 11662, the House Committee had formulated a definite policy to exclude from Federal regulation certain phases of the natural-gas business even though such phases might be regulated as a part of or as affecting interstate commerce.

The nature and extent of this exclusion is shown by the explanations given by committee members and others given in the hearings and debates. These we fully explore below.

(3) *The Controlling Explanation Given At The Hearings on H. R. 11662:*

H. R. 11662 had, in large measure, been drawn by two members of the Federal Power Commission staff, who had been loaned to the House Committee for this purpose: Mr. Dozier A. De Vane, the Solicitor of the Commission, and Mr. Thomas J. Tingley, its Assistant Solicitor.

In April of 1936, the House Committee on Interstate and Foreign Commerce held public hearings with respect to H. R. 11662, and Chairman Lea called Mr. De Vane to testify as the first witness and explain the bill. The importance of this testimony cannot be overlooked and the opening remarks show the authority with which the witness spoke.

The opening remarks were as follows (Record of Hearings on H. R. 11662, page 9):

"Mr. Lea:

"It is the intention of the committee first to hear the representatives of the Federal Power Commission and the Federal Trade Commission. Before the hearings are completed we hope to hear from interested parties as largely as is necessary to cover the subject.

"At this time we will hear Mr. De Vane, representing the Federal Power Commission.

"Mr. De Vane, you may proceed in your own way.

"Mr. De Vane:

"Mr. Chairman and members of the Committee, my name is Dozier A. De Vane. I am solicitor for the Federal Power Commission and have been in that position for approximately two and a half years. I appear here this morning at the request of the Chairman of your full Committee and of your Subcommittee, and that the record may be clear, may I also state that I do not appear in the capacity of a representative of the administration in connection with any legislation that it has submitted to the Congress.

"This committee will recall that as a part of H. R. 5423 was title III, which had for its purpose the regulation of this industry.[7]

"Title III of that bill was substantially the same in language as the part of title II that related to the regulation of the electric industry.

"Substantially the only difference was that gas was substituted for electricity in the language of the bill.

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[7] The reference is to the Public Utility Holding Company Bill introduced by Mr. Rayburn in 1935.

"After the hearings upon that bill, titles II and III—when I refer to title II, I mean that part of the bill providing for an amendment to the Federal Water Power Act bringing under Federal regulation electric utilities—both that title and title III, which provided for the regulation of the natural-gas industry was referred to the same subcommittee and considered by the same subcommittee.

"I suppose it is not out of place if I should say for the record here that title III, which related to the regulation of the gas industry was not reported out with title I and title II.

"The bill that you have now, H. R. 11662, is in substantially all respects, insofar as it goes similar to the provisions of the Federal Power Act with reference to the electric industry. The bill itself does not go quite as far as nor does not confer quite as much jurisdiction upon the Commission as does the Federal Power Act.

"I shall not, in my presentation this morning, undertake to discuss the gas industry, as this committee knows an investigation with reference to that subject has been made by the Federal Trade Commission under Senate Resolution 83, Seventieth Congress, first session, and a representative of that Commission will appear and present to the committee factual data that were developed by that investigation."

After some additional opening remarks and the presentation of a legal brief discussing the provisions of the bill, Mr. De Vane proceeded to discuss the bill orally and commenced as follows, (*ibid.*, p. 24):

"Mr. De Vane:

"Section 1(a) of the bill is a declaration of the necessity for Federal regulation. It recites the in-

vestigations that have been made, points out that this industry has now reached a point where Federal control and regulation of the industry is necessary.

"Section 2 defines the jurisdiction——

"Mr. Merritt:

"Mr. Chairman.

"Mr. De Vane (continuing):

"Section 1(b) defines the jurisdiction over the industry.

"Mr. Lea:

"Mr. Merritt wanted to ask you a question.

"Mr. Merritt:

"I thought you were going to skip that. That is what I wanted to ask about.

"Mr. De Vane:

"No, sir. Section 1(b) provides that the provisions of this act shall be applicable to the transportation of natural gas in high-pressure mains in interstate commerce and to natural-gas companies engaged in such transportation, but shall not apply to the distribution of natural gas in low-pressure mains or to the facilities used for such distribution or to the production of natural gas.

"Mr. Merritt:

"Well, facilities for such distribution refer only to low-pressure distribution, does it?

"Mr. De Vane:

"It refers to distribution of natural gas to consumers.

"The whole purpose of this bill is to bring under Federal regulation the pipe lines and to leave to the State commissions control over distributing companies and over their rates whether that gas moves in interstate commerce or not."

After some little discussion as to the scope of this first exemption, the record continued as follows (*ibid*, p. 28):

"Mr. De Vane:

"* * * Now, Section 1(b) also provides that the Commission shall have no jurisdiction over the gathering or gathering rates for natural gas.

Mr. Cooper:

"What do you mean by gathering rates:

"Mr. De Vane:

"The rates that are paid in the gathering field, Mr. Cooper."

Thereafter, Representative Cole inquired further into the meaning of Section 1(b) (*ibid*, p. 32):

"Mr. Cole:

"* * * in order to determine the cost of the property which you say is absolutely essential before you can go into the establishment of reasonable rates or charges, the Commission will go into not only the great Panhandle Field of Texas and other gas fields, but into the oil fields as well, where, of course, there is gas?

"Mr. De Vane:

"No; I am not so sure that would be correct. The jurisdiction conferred by this bill is limited to the transportation lines and transportations.

"Mr. Cole:

"Does this bill give anywhere the Commission power over the source of natural gas in the different fields in a manner which we might call comparable

to that which your Commission now has over hydro-electric generating plants?

"Mr. De Vane:

"It does not; no. It does not attempt to regulate the gathering rates or the gathering business. Section 11, I believe it is, of the bill deals with that.

"Mr. Cole:

"I do not want to disturb the continuity of your presentation, section by section.

"Mr. De Vane:

"Well, I will get to that in a few minutes. But Section 11 deals with State compacts, not in the sense of prescribing what State compacts should be but simply gives to the Commission authority to investigate and report to the Congress upon the State compacts that are submitted for approval. But the bill itself does not attempt to regulate either the gathering end or the distributing end of the business; I mean the local distribution of gas."

Subsequently in the hearing Chairman Lea again pressed for a statement as to the scope of the "production" exemption (*ibid.*, pp. 42-43):

"Mr. Lea:

"Mr. De Vane, I would like to go back just a moment. Of course it is a question of regulation. Suppose that the A company owns a gas supply and the B company transmits it into another State, distributes it to a local company for distribution. Now suppose the question arises as to whether or not the charges which the A company makes against the B company for the gas is reasonable. What, if any, authority would the Commission have on that question, under this bill?

"Mr. De Vane:

"Yes, if I understand your question, concerning the price paid to the A company, *there is no control of the gathering rate; the Commission would have no jurisdiction.* That price is fixed by competitive conditions that exist in the field. But it matters not how many different ownerships there may be between the time the gas starts to move in interstate commerce and gets to the city gates. Ownership might change a dozen times—A company sell to B, and B company sell to C—all those rates would be subject to regulation. (Italics supplied.)

"Mr. Lea:

"Well, when the supply company is broug before the Commission in an action to regulate its rates, and they say, 'We have got to pay so much for gas; we cannot control that price which they charge us, and we have to charge a higher price delivered to the Buyer.' Does the Commission have any power over that?

"Mr. De Vane:

"No; not the price that is paid to the gatherer, to the man who produces it; that is binding if the transaction is at arm's length. If the transaction is not at arm's length of course its reasonableness may be inquired into under the decisions of the Supreme Court."

(4) *The Revised Natural Gas Bill of 1936—H. R. 12680:*

Following its hearings on the bill, the House Committee on Interstate Commerce revised the bill, and it was reintroduced on May 12, 1936 as H. R. 12680 of the 74th Congress, 2d Session.

Section 1(a) of the bill remained substantially unchanged. But Section 1(b) was revised considerably, and it is of particular interest that, in the light of Mr. De Vane's testimony, the Committee broadened the exemption for the "*production* of natural gas" to the more inclusive language "*production or gathering* of natural gas." The revised section read as follows:

> "(b) The provisions of this Act shall apply to the transportation of natural gas in interstate commerce, to the sale of such gas for resale to the public, and to natural gas companies engaged in such transportation or sale, but shall not apply to the local distribution of natural gas or to the facilities used for such distribution or to the production or gathering of natural gas: Provided, that nothing in this Act shall be construed to authorize the Commission to fix the rates or charges to the public for the sale of natural gas distributed locally or for the sale of natural gas for industrial use only."

No action was taken in the 74th Congress with respect to H. R. 12680.

(5) *The Completed Bills of 1937 and Final Passage.*

Early in 1937, Chairman Lea again introduced the bill in form identical with H. R. 12680 of the preceding Congress. This was designated H. R. 4008, 75th Congress, 1st Session.

Hearings on H. R. 4008 were held by the House Committee during March of 1937, the bill was further revised, and in April of 1937 was reintroduced as H. R. 6586.

Section 1(a) of H. R. 6586 was substantially identical with that of the previous bills. Section 1(b) was revised to read substantially as it does in the Act as passed.

The bill was debated in the House of Representatives on June 16, 1937 and was passed on July 1, 1937. It was then sent to the Senate, and was reported out of the Senate Committee on Interstate Commerce without change. Senator Wheeler brought the bill up for consideration on August 14th and 19th, but each time, after some debate, it was passed over for additional study. On June 7, 1938 the bill was again brought up by Senator Wheeler, and it was passed with certain amendments. The amendments were modified at the instance of the House of Representatives and the bill was finally passed on June 14, 1938.

(6) *Explanatory Statement Made in the Congressional Debates:*

The course of the debates shows clearly that the members of the House and Senate, in particular the Committee having charge of the bill, shared Mr. De Vane's conception that the Act excludes field sales of natural gas.

During the debate on July 1, 1937 (Congressional Record, Vol. 81, p. 8675 (Part 6, p. 6721)), Chairman Lea, as the sponsor of the bill, explained its terms to the House. In the course of this explanation, he stated:

> "There are, however, some situations defined in the bill to which this regulation does not apply. One is local distribution on the principle that where commerce passes in interstate commerce and reaches the point of broken package, the local State commission then has the regulatory power. That same general rule applies to the transportation and sale of gas. So this act does not affect the local distribution of gas. It affects the local consumer's price only by regulating the price at the city gates. The facilities for local distribution are not within the power of regulation provided in the bill.

"The bill does not apply to the production and gathering of gas."

Note particularly Chairman Lea's statement to the effect that the Act affects the local consumer's price only in one respect, *i. e.*, by regulation of city gate prices; also Chairman Lea's emphatic reiteration of the Act's exclusion of production and gathering.

Representative Halleck of Indiana, likewise a member of the House Committee on Interstate Commerce, followed Mr. Lea with additional explanations of the bill (Congressional Record, Volume 81, p. 8677 (Part 6, p. 6723)). He said in part:

"• • • Gas is brought from the producing areas in these pipe lines and sold at the city gates to the public utilities which distribute the gas to the consumers. It is obvious the distribution of the gas by the local distributing company is subject to State regulation and the interests of the consumers are protected by State regulation. However, the transportation of gas in interstate commerce in the pipe lines and its sale to the distributing companies for resale is not subject to State regulation, and as a result, we have had a situation under which the price charged the distributing company at the city gate has been fixed wholly by the judgment, discretion, or action of the interstate company. It is charged that in many cases that price is excessive. This bill seeks to regulate those prices."

In the Senate on August 19, 1937 (Congressional Record, Vol. 81 (11981), Part 8, p. 9312), the following discussion took place between Senator Wheeler, Chairman of the Senate Committee, and Senator Austin:

"Mr. Austin:

"Mr. President, may I ask the Senator from Montana (Mr. Wheeler) a question concerning this bill?

Does the bill undertake to regulate the production of natural gas, or does it undertake to regulate the producers of natural gas?

"Mr. Wheeler:

"It does not attempt to regulate the producers of natural gas or the distributors of natural gas; only those who sell it wholesale in interstate commerce.

* * * * * *

"Mr. Austin:

"Is the bill limited in its scope to the regulation of transportation?

"Mr. Wheeler:

"Yes; it is limited to transportation in interstate commerce, and it affects only those who sell gas wholesale."

Additional statements of Senator Wheeler in the course of the above Senate debate (Vol. 81, p. 11984, Part 8, p. 9315) are:

"The Federal Power Commission will have power to regulate the price of gas shipped and sold at wholesale in interstate commerce and so they will investigate and find out what is a fair price for it. * * *

* * * * * *

"Simply because of the fact that under the bill, if the gas is shipped in interstate commerce, the Federal Power Commission has the right to investigate and say whether or not the company which ships it charges a fair rate for the wholesale gas which it is selling to the City of Columbus or the City of Cleveland. * * *"

(7) *Conclusions as to Legislative History:*

From the above review, it is conclusively shown, we submit, that "the production or gathering of natural gas"

is a term of broad significance, and that, by employing it in contradistinction to the "business of transporting and selling natural gas in interstate commerce"; Congress intended to exclude from the purview of the Act the whole business of producing and gathering gas, *i. e.*, the drilling, maintenance and operation of wells, the movement of gas through the field gathering lines to the main interstate trunk pipe lines and the sale and delivery of the gas to those pipe line customers—in short, everything antecedent to the main interstate operation of taking the gas out of the fields to distant markets.

Such is indubitably the sense in which the exemption was understood and employed by Chairman Lea, Representative Cole, Mr. De Vane, and others responsible for the drafting of the legislation, for, in referring to it, they speak repeatedly of the "gathering companies", the "price paid to the gatherer", the "gathering rate" all as being exempt. And the conclusion becomes doubly certain in the light of the repeated statement that the purpose of the Act is not to regulate the entire realm of interstate commerce but only the "pipe line" or "transportation" phase of the business.

2. *Conclusion as to the Meaning of "Production or Gathering"*

It should be clear that the function of gathering extends to the point where interstate trunk line transmission begins. The only authority contrary to this is the Commission's own conclusion, affirmed by the Court below, which is against all facts as testified by its Staff, and a White Paper (F. P. C. G-580, *Section 1(b) of The Natural Gas Act With Reference to Production and Gathering*), which attempts a distinction of this case by name.

Petitioner maintains that the facts in this case showing a ramification over the production field and the constant concentration of gas the closer it gets to the sales

points, conclusively evidence the gathering function. The word "dendritic" as used by a Staff witness (R. II, 610) is the best possible description of the system.[8]

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[8] Reference to the map (R. II, 608) indicates petitioner's complex field pipe line system reaching to the periphery of petitioner's production and gas purchase area in the Monroe Field. Its purpose is to move the gas from petitioner's wells and points of purchase to the points of sale to the three purchasing pipe line companies and to petitioner's own trunk line system. This field system has been characterized by a Commission Staff witness as "dendritic in pattern" (R. II, 610), taking the gas from the wells through four-inch pipe lines which deliver the gas into still larger lines until it finds its way into either the admittedly regulable channel or to the three purchasing pipe line companies (R. II, 609-610). The gas over which petitioner claims the Commission has no jurisdiction thus, dendritically, moves through the field pipe line system into lines F-1 and F-33A to the points of delivery to Mississippi River Fuel Corporation and Southern Natural Gas Company (designated as 176-S and 177-S on map R. II, 608) and through lines F-44 and F-43 for delivery to Memphis Natural Gas Company (178-S on R. II, 608). From the wells in the northern and western portions of the field, the gas moves through various lines including F-3, F-51 and F-59 until it reaches F-1 or F-44. From the southern part the gas moves through various field lines, including F-45, and then into F-1 for delivery to Mississippi River Fuel Corporation and Southern Natural. Purchased gas from United Carbon Company is received through F-13 (purchasing point designated 137-P, R. II, 608) and moves through F-45 into line F-1. From Southern Carbon Company the gas is received into F-1 (128-P, R. II, 608) at the extreme north end of the line (R. I, 135-137). Gas purchased from Hope Producing Company (purchased at points 160-P and 161-P, R. II, 608) moves through line F-1 or F-44. Line F-1 serves the purpose of a "header" into which the gas is delivered at various points and from which it may be taken out for delivery to the three purchasing companies and for petitioner's trunk pipe line (R. II, 611, 614, 616). Lines F-44 and F-1 (north of DeSiard Station on the map, *supra*), and F-33 represent the last and main *branches* of the dendritic pattern. Reference to the map will indicate clearly that the trunks of the pattern are formed only by the trunk pipe lines of the three purchasing pipe line companies. The gas collected in the southern part of the system finding its way into F-1 and F-44 goes north to the sales points to the three pipe line companies (R. I, 183-184, 608). None of the gas so delivered to the three purchasing pipe line companies is compressed at DeSiard Station (in the Record sometimes called "Fowler" Station), petitioner's only station in the field (R. I, 135-136), and the beginning of petitioner's trunk transmission system.

That petitioner as its last act before actual sale puts the gas into two lines near the delivery points shows that the act of gathering is involved for such collection is necessary for gathering to take place at all. Such collection, in fact, is *the gathering* together of the gas. Naturally this gathering cannot be coincident with sale and, therefore, must precede it. Gathering, once started, must continue until delivery to the trunk line for without the delivery, the gathering would be aborted. Moreover, in a case such as the instant one, where the production, gathering and initial delivery of the gas is performed by petitioner, whereas the acceptance of such delivery followed by scrubbing and cleaning the gas and its compression is performed by the purchaser who later transports it in interstate commerce, the initial sale by petitioner to such pipe line operator is an integral and essential part of the production and gathering operation.

III.

The sales here in question are not sales "in interstate commerce" under the Natural Gas Act.

The jurisdictional provision of the Natural Gas Act relating to sales provides:

> "The provisions of this act shall apply * * * to the sale in interstate commerce of natural gas for resale * * *." (52 Stat. Sec. 1(b), 15 U. S. C. Sec. 717(b))

"Interstate commerce" is defined in the Act as:

> "* * * commerce between any point in a state and any point outside thereof, or between points within the same state but through any place outside thereof". (52 Stat. Sec. 2(7), 15 U. S. C. Sec. 717a(7))

The Act, therefore, unlike many other acts of Congress, does not reach out to control all which Congress may control under the commerce clause of the Constitution. The sales, to be affected by the Act and by the Commission must be "in interstate commerce" and not merely affect such commerce. That this is so is evident from the verbiage of the Act and its purpose. The Act omits any attempt at control of those local activities controlled, for instance, by such legislation as the Fair Labor Standards Act[9] and the Second Agricultural Adjustment Act.[10] Instead, the Act was directed at the hiatus existing between the limits wherein a state may act and where Congress previously had not acted. That such was the intent and the provision of the Natural Gas Act appears from two opinions of this Court:

> "An avowed purpose of the Natural Gas Act of June 21, 1938, was to afford, through the exercise of the national power over interstate commerce, an agency for *regulating the wholesale distribution to public service companies of natural gas moving interstate commerce, which this Court had declared to be interstate commerce not subject to certain types of state regulation* * * * the Act is restricted in its application 'to the transportation of natural gas in interstate commerce, to the sale in interstate commerce of natural gas for resale for ultimate public consumption for domestic, commercial, industrial, or any other use, and to natural-gas companies engaged in such transportation or sale * * *'".

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[9] *United States* v. *Darby*, 312 U. S. 100, wherein the Court sustained the power of Congress over unfair working conditions in the production of goods for interstate commerce.

[10] *Wickard* v. *Filburn*, 317 U. S. 111, wherein the Court sustained the power of Congress over a farmer raising wheat for his own consumption because even such production might affect the market.

(Emphasis supplied) (*Illinois Natural Gas Co.* v. *Central Illinois Public Service Co.*, 314 U. S. 498, 506-507.)

and further:

"It is clear, as the legislative history of the Act amply demonstrates, that Congress meant to create a comprehensive scheme of regulation which would be complementary in its operation to that of the states, without any confusion of functions. The Federal Power Commission would exercise jurisdiction over matters in interstate and foreign commerce, to the extent defined in the Act, and *local matters would be left to the state regulatory bodies.* Congress contemplated a harmonious, dual system of regulation of the natural gas industry—federal and state regulatory bodies operating side by side, each active in its own share." (Emphasis supplied) (*P. U. C.* v. *United Fuel Co.*, 317 U. S. 456 at 467.)

That this Court was correct in ascribing a restricted federal control under the Natural Gas Act is apparent from the report of the committees of both houses of Congress.[11] The Court also was correct in ascribing a restricted federal control as a matter of general statutory construction since a congressional intent to displace local laws in the exercise of the commerce power is not to be inferred "unless clearly indicated by those considerations which are persuasive of the statutory purpose" (*Mauer* v. *Hamilton*, 309 U. S. 598 at 614). Every statute is a unique problem "in which words derive vitality from the aim and nature of the specific legislation." (*Federal Trade Commission* v. *Bunte Bros.*, 312 U. S. 349 at 351). This Court

[11] The Senate and House reports are identical on this. See House Report 709, 75th Cong., 1st Sess., pp. 1-2; Senate Report 1162, 75th Cong. 1st Sess., pp. 1-2.

has already, as evidenced by the cases cited above, recognized the aim and nature of the Natural Gas Act.

It being clear, therefore, that Congress did not intend and did not legislate to reach the full limits of its authority, is the activity of petitioner in the Monroe Gas Field such as may be controlled by the states concerned? It earnestly is submitted that the states may and were intended by the Act so to control for reasons given below.

"Sale in interstate commerce" has a meaning settled in our law respecting the commerce clause. A sale is not one "in interstate commerce" where one surrenders title and possession wholly within a state of production even though subsequent interstate transportation is probable, contemplated, and really takes place.

Production itself is clearly a local matter even though the goods produced are designed for interstate transportation, *e.g.*, a state may enact prohibition statutes against intoxicating liquors; or may regulate, prorate or tax natural gas; or prorate agricultural products (*Kidd* v. *Pearson*, 128 U. S. 1, 19, 22; *Carter* v. *Virginia*, 321 U. S. 131; *Hope Natural Gas Co.* v. *Hall*, 274 U. S. 284, 287-288; *Champlin Refining Co.* v. *Corporation Commission*, 286 U. S. 210; *Railroad Commission* v. *Rowan & Nichols*, 310 U. S. 573; *Parker* v. *Brown*, 317 U. S. 341).

In the case of a local intrastate sale of goods intended for interstate commerce—in the absence of legislation expressly directed to local matters "affecting interstate commerce"—the matter is still of only local concern since the goods "though intended for exportation to another state" are not in interstate commerce until the final movement of "transportation from the state of their origin to that of their destination" (*Coe* v. *Errol*, 116 U. S. 517, 524-528; *Federal Compress Co.* v. *McLean*, 291 U. S. 17,

21-22). Therefore, the states may exercise taxing power as to such sales. (*Department of Treasury* v. *Wood Preserving Corp.*, 313 U. S. 62, 67-68). The fact that taxes are involved in many of these cases should make no difference since, as pointed out by Mr. Justice Holmes (dissenting in *Pennsylvania* v. *West Virginia*, 262 U. S. 553 at 601) there is "no relevant distinction between taxing and regulating in other ways." Indeed, states may do more than tax. They may inspect and regulate the packaging and branding (*Turner* v. *Maryland*, 107 U. S. 38) and may fix warehousing rates (*Townsend* v. *Yeomans*, 301 U. S. 441) as well as fix the prices at which local producers sell products to those who will carry the goods in interstate commerce (*Milk Control Board* v. *Eisenberg Co.*, 306 U. S. 346, 352-353). The last cited case marked a change from earlier cases in the legal concept of the relation of the commerce clause to local sales of goods destined for interstate movement. The true character of the relationship of such sale to commerce is that it "affects interstate commerce," but is not a part of it requiring federal regulation.

In this case we do not have the question of whether Congress has exercised the sum total of its power under the commerce clause, but one merely of the extent of that exercise. The phrase "in interstate commerce" has been endowed with no greater meaning in the Natural Gas Act than in other legislation employing the same phrase. Examination of the three main classifications in which Congress has exercised its commerce power will demonstrate that "in interstate commerce" does not encompass local activities:

(1) Cases wherein Congress has specified the relation or burden upon interstate commerce of certain local activities and proceeds to regulate them. This is

the situation wherein the Congress has recognized the local nature of the activity and chooses to exercise its potential power. For instance, in the Packers & Stockyards Act there was precise specification of burdens (*Stafford* v. *Wallace*, 258 U. S. 495).

(2) Federal regulation of subjects "in or affecting interstate commerce". An instance of this is to be found in the National Labor Relations Act *(Santa Cruz Co.* v. *National Labor Relations Board,* 303 U. S. 453, 467.)

(3) The regulation of matters *"in interstate commerce".* This is the language used in Section 1(b) of the Natural Gas Act which serves, along with other provisions in the Act, to delimit Commission jurisdiction. Consistent with the admonition that "while one may not end with the words of a disputed statute one certainly begins there" *(Federal Trade Commission* v. *Bunte Bros.,* 312 U. S. 349, 350), it is only necessary to examine the words themselves because this Court has said:

> "* * * when in order to protect interstate commerce Congress has regulated activities which in isolation are merely local, it has normally conveyed its purpose explicitly. * * * We merely hold that to read '* * * in commerce' as though it meant '* * * any way affecting interestate commerce', requires, in view of relevant consideration, much clearer manifestation of intention than Congress has furnished." *(Federal Trade Commission* v. *Bunte Bros.* supra, 351, 355.)

It is apparent that "sales in interstate commerce" as used in the Natural Gas Act has no different meaning in the case at bar then when it has been used elsewhere.

The conclusions of the Commission and the Circuit Court of Appeals in the instant case that the sales of gas produced, purchased, gathered and sold to purchasers all

within the Monroe Field for subsequent compression and interstate exportation are sales "in interstate commerce" as such commerce is defined are without foundation in law or in fact.

Petitioner earnestly submits that the proper legal foundation is set forth above. It will not be found in the two cases cited by the Court below, *Missouri* v. *Kansas Gas Co.* (265 U. S. 298) and *P.S.C.* v. *Attleboro Steam & Electric Co.*, (274 U.S. 83), since the *Missouri* case involved a sale off the trunk line system outside of the production state; and the *Attleboro* case involved a sale at the state line. These cases in the light of the definition of interstate commerce contained in the Natural Gas Act clearly are inapplicable.

Of course the action of the Court below is erroneous in fact if erroneous in law, but the facts so lend themselves to the legal principal involved that they deserve special consideration. All of petitioner's activities here involved are intrastate *in fact*. Petitioner does nothing in moving the gas outside of the state. The facts set forth above demonstrate that after all control over the gas passes to the pipe line companies several things are done *by these purchasers* which are analogous to packaging and preparing for the first movement "between any point in a state and any point outside thereof * * *." (Natural Gas Act, Sec. 2(7), 15 U. S. C. Sec. 717a(7)). The gas is commingled with gas purchased from others in the field, it passes through scrubbers and then it passes through two stages of compression necessary for its movement. Each compression causes the gas to be volumetrically smaller than before. If the production of power by a compressor engine is sufficiently local in nature to be subject to tax by a state even though the compressor itself starts the gas on a journey interstate,

a fortiori: the intervention of two other factors (commingling and scrubbing) *after* petitioner delivers the gas and before the act of compression makes the activity local. A tax of the State of Louisiana on such production of power was held to be valid in *Coverdale* v. *Arkansas-Louisiana Pipe Line Company* (303 U. S. 604). The tax was not imposed upon the act of moving the gas but of generating the power, and even though the compression end of the unit was engaged in starting the gas on its interstate journey, nevertheless the power production by the engine was held to be a local event subject to taxation. This case is based on the concept that only after the gas moves from the compressors on its journey outside the State does interstate commerce begin, and that, of course, conforms to the definition of interstate commerce in the Natural Gas Act.

Conclusion.

The Act places two limitations upon the Commission's price fixing jurisdiction: First, the sale must be one "in interstate commerce"; and second, functionally, there must be no regulation of the "production or gathering of natural gas."

Applicable to both of these limitations is this fact: the record is replete with evidence pointing only to the fact that the sales here challenged take place as a part of production and gathering and before interstate commerce as defined in the Act commences. The Commission, however, has been satisfied with the general legal conclusion that all phases of petitioner's business is price regulable by it (R. I, 60 *et seq.*). We must assume this for the Commission does not designate the point marking the break between its province and that of the State. It states that

petitioner is operated as a unit (R. I, 60), as it certainly must be to give any service at all (R. I, 206-207). Such integration is true as well of an admittedly interstate trunk pipe line from which both non-jurisdictional and jurisdictional sales are made. But in the latter case some means is adopted to segregate the two so that the Commission does not trespass (See *Colorado Interstate Gas Co. v. Federal Power Commission*, 324 U. S. 581, 588). Integration should serve no greater purpose here than on the retail sales side of the picture. To follow the Commission's rationale, however, such greater purpose from integration could come about. Thus not only this petitioner but states and their regulatory bodies are caught on the horns of a dilemma. Does production and gathering end, and transportation in interstate commerce begin coincident with or an instant prior to the gatherer's first sale in the field? If so, the producer with one well and fifty feet of well line is subject to Commission regulation if his gas finally enters into interstate flow. Or does the magical point occur somewhere along the dendritic pattern where enough gas has been concentrated into one line for the Commission to say, "Here is the point of jurisdiction"? Or, further, does it occur in the smaller branches of the pattern? Or, the ultimate question, is the jurisdictional point at the origin of the gas in the gas bearing sands? The absurdity of the questions does not detract from their relevancy for these questions can reasonably occur, and have occurred, because of the Commission's decision in this case.

In all gathering there must be a bringing together but it is this inescapable circumstance that the Commission has used as the basis for its conclusion. To do this is a flagrant disregard of the Act of Congress and must be prohibited not only because of this petitioner's pecuniary interest, but

also for the proper recognition of the legal spheres of action of the Federal and state governments.

Petitioner earnestly submits that the sales over which it claims the Commission has no jurisdiction are illustrative of the very type of sales which Congress did not and intended not to regulate under the Natural Gas Act. This is so for two separate and conclusive reasons: First, the sales constitute production and gathering in every valid sense of those two words; and secondly, the sales are not in interstate commerce for resale.

For the foregoing reasons, petitioner submits that the order of the Circuit Court of Appeals for the Fifth Circuit dismissing petitioner's petition for review be reversed and that the order of the Commission relating to the field sales be held for naught.

Respectfully submitted,

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DEC 27 1946

No. 733

In the Supreme Court of the United States

OCTOBER TERM, 1946

INTERSTATE NATURAL GAS COMPANY, INCORPORATED, A CORPORATION, PETITIONER

v.

FEDERAL POWER COMMISSION, LOUISIANA PUBLIC SERVICE COMMISSION, CITY OF NEW ORLEANS, LOUISIANA, AND CITY OF BATON ROUGE, LOUISIANA, RESPONDENTS

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

BRIEF FOR THE FEDERAL POWER COMMISSION IN OPPOSITION

IN THE

Supreme Court of the United States

OCTOBER TERM, 1946.

No. 733.

INTERSTATE NATURAL GAS COMPANY, INCORPORATED, a corporation,

Petitioner,

versus

FEDERAL POWER COMMISSION, LOUISIANA PUBLIC SERVICE COMMISSION, CITY OF NEW ORLEANS, LOUISIANA, CITY OF BATON ROUGE, LOUISIANA,

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INDEX.

	PAGE
TABLES OF CASES, ETC.	ii
STATEMENT	1
THE "PRODUCTION OR GATHERING" EXEMPTION OF SECTION 1(b) OF THE ACT	5
1. The Contention That Petitioner "Transported" Gas After Completion of Gathering and Prior to Sale	7
2. Unreasonable Results from the Commission's View of the Gathering Activity	13
3. The Commission-Enacted Rules of (a) Otherwise a Natural-Gas Company; and (b) Affiliation Between Seller and Purchaser	17
ARE THE SALES IN QUESTION TRANSACTIONS IN INTERSTATE COMMERCE?	19
CONCLUSION	24

Cases.

	PAGE
Colorado Interstate Gas Co. v. *F. P. C.*, 324 U. S. 581	17
Currin v. *Wallace* (306 U. S. 1)	23
Dayton P. & L. Co. v. *P. U. C.*, 292 U. S. 290	18
East Ohio Gas Co. v. *Tax Commission*, 283 U. S. 465	16
Howard Hall Co. v. *U. S.*, 315 U. S. 495	9
I. C. C. v. *Ill. Central R. Co.*, 215 U. S. 452	9
Interstate Natural Gas Co. v. *P. S. C.*, 34 F. Supp. 980	19, 21
Milk Control Board v. *Eisenberg Co.*, 306 U. S. 346	23
Missouri v. *Kansas Natural Gas Co.*, 265 U. S. 298	16, 23
Panhandle Eastern Pipe Line Co. v. *F. P. C.*, 324 U. S. 635	17
Peoples Natural Gas Co. v. *F. P. C.*, 127 F. 2d., 153	23
Powell v. *U. S.*, 300 U. S. 276	10
Public Service Com. v. *Attleboro Steam & Elec. Co.*, 273 U. S. 83	16, 23
Stark v. *Wickard*, 321 U. S. 288	9
United Fuel Gas Co. v. *Railroad Com.*, 278 U. S. 300	18
U. S. v. *Carolina Carriers Corp.*, 315 U. S. 475	9
Western Distributing Co. v. *P. S. C.*, 285 U. S. 119	18

Statutes.

Natural Gas Act

Section 1(b) 5, 6, 9, 16, 23

Section 19(b) 8

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ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT.

REPLY BRIEF OF PETITIONER.

Statement.

In the Commission's brief issue is taken with the manner in which petitioner has stated the questions for determination by this Court. The facts are clear and undisputed that gas is produced and purchased by petitioner in the Monroe Field; that such gas is moved through pipe lines by the natural pressure of the wells to the points of delivery within the Monroe Field; that such movement takes place through, and delivery is made from, the field pipe line gathering system of petitioner; that each purchaser receives the gas, commingles it with gas received from other pro-

ducers in the Monroe Field and then passes the gas through scrubbers to remove dirt and other solids; and that the gas is then compressed by the purchasers in order that it may be moved from Louisiana to the States of destination. Petitioner believes it has fairly and fully presented all essential points. It does not agree with the statement in the Commission's brief that gathering of this gas has been completed and that it is transported in interstate commerce after gathering and before sale to the pipe line purchasers. That is one of the points for decision by this Court.

In the main, the statements of fact about petitioner's operations are accurate. We wish to point out specifically that the gas sold and delivered by petitioner to the three pipe line companies does not move through the DeSiard Compressor Station and is not compressed at that station, but that such gas moves solely by reason of the natural pressure of the wells in the field. We point this out initially since the description in the Commission's brief of the movement of gas other than that involved here, traces it into the compressor station. In other instances the gas is described as coming to the premises of the DeSiard Station, referring to the land surrounding the compressor station buildings (Commission's brief, pp. 7, 9, 17, 29, 31). We do not agree with the use of the term "transports" or "transportation" as a description of the movement of the gas by petitioner if by the use of that term there is meant a jurisdictional transportation movement.

It is important to point out that the complaint of the Louisiana Public Service Commission referred to in the Commission brief (p. 3) did not allege that the prices charged for the gas here involved were unreasonable nor did it ask that rates for these field sales be fixed by the Federal Power Commission.

That complaint sought an investigation into the rates charged by petitioner for gas sold to public utilities and municipalities in Louisiana from petitioner's main transmission line after passing through the State of Mississippi and back into Louisiana. It was alleged that the business of petitioner was both intrastate and interstate, that the Louisiana Commission had jurisdiction over the intrastate part and the Federal Power Commission over the interstate part; furthermore

> "that it is necessary for the proper and effective regulation of local gas distributing utilities in Louisiana that such proper rates or gate prices of natural gas for resale be determined, as provided for in Sections 5(a) and 17 of the Natural Gas Act of 1938" (see also paragraphs 4, 11 and 12, of the complaint, R. I, 25, 34).

The comments in the Commission brief about the answer of petitioner to that complaint are not supported by the record. It is necessary to have these matters, seemingly unimportant, accurately stated because of the unjustified contentions later made about the litigation between petitioner and the Louisiana Commission. What the answer states about that litigation is found in the Record, Vol. I, commencing at the bottom of page 39 and ending at the top of page 41.

The order of the Louisiana Commission (R. I, 507-518) against which an injunction was sought referred to the sales made for ultimate consumption in Louisiana, stated that the Louisiana business was of "great concern" to the Louisiana Commission, found that petitioner was a public utility subject to its jurisdiction and ordered access to petitioner's books to determine reasonable rates and charges for gas "transported or sold in intrastate com-

merce in Louisiana" (R. I, p. 518). The principal contentions of petitioner were that it was not a common carrier and was not a public utility under the Louisiana law (R. II, pp. 849, 861; see also complaint of Louisiana Commission, R. I, 25, order of Louisiana Commission, R. I, 508). The allegations as to the interstate character of its business were added as a further limitation on the power of the state commission over the business of petitioner.

That the sales now in litigation were not the subject of the Louisiana Commission's complaint was recognized in the order[1] of the Federal Power Commission expanding this proceeding to a general investigation of all of petitioner's rates and charges subject to the Power Commission's jurisdiction.

That part of this rate case which the Louisiana Commission started by its complaint was finished and the rates so fixed by the Federal Power Commission were accepted by petitioner. Consequently whatever controversy existed with the Louisiana Commission did not deal with the sales to these interstate pipeline purchasers. That commission did not attempt to fix the rates for the sales here involved and the effort of the Power Commission to make it so appear (Commission brief, pp. 16, 19, 24) is not supported by the

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[1] "(a) On May 23, 1939, the Louisiana Public Service Commission, a State commission within the meaning of the Natural Gas Act, filed with the Commission a complaint (Docket No. G-132) which alleges, in substance, among other matters, that the Interstate Natural Gas Company, Incorporated, is engaged in the transportation of natural gas in interstate commerce and in the sale of natural gas in interstate commerce *for resale in Louisiana*, and that its rates and charges for such transportation and sale are unjust and unreasonable, and requests the Commission, after a hearing, to fix the just and reasonable rates to be thereafter observed and in force in respect of such transportation and sale;" (Emphasis supplied) (R. I, 50).

record. A fuller discussion of the Louisiana litigation will later be made.

Considerable discussion relates to so-called affiliations between petitioner, the purchasers of gas, and other producers in the field. Mention of this is irrelevant and relates only to contract relationships between the parties involved. The Commission made no findings whatsoever as to affiliation except as to one purchaser (Mississippi River Fuel Corporation), and referred to "'close contractual and operating arrangements'' between petitioner and United Gas Pipe Line Company. As will be pointed out later, we believe that these facts are not of significance in determining whether Congress has given the Commission regulatory authority over the sales in question. It should be observed that the ownership of stock in a corporation does not constitute such owners as affiliates, as that term is used when courts inquire into the fairness of dealings between affiliates. Nor could contractual or operating arrangements serve to confer jurisdiction over the parties thereto unless the statute specifically so provided. Moreover the only stock affiliation was that existing with reference to Mississippi River Fuel Corporation, and such affiliation went no further than a minority interest (22½%, R. I, 412) owned therein by a corporation which owned a majority interest (53.9%, R. II, 707) in petitioner.

The "Production or Gathering" exemption of Section 1(b) of the Act.

While the Commission heretofore in this proceeding has contended that a sale of natural gas by a producer or gatherer is not encompassed within the protective exclusion

of the "production or gathering" clause of Section 1(b) of the Act, it now departs slightly from that extreme position. No longer does the Commission claim that the exemption relates *solely* to the physical activities of production and gathering.[2] It now admits that a field sale of a restricted character is excluded from its jurisdiction under certain conditions laid down by the Commission although not found in the Act.[3] These conditions are:

1. The sale is at "arm's length".

2. The seller is not otherwise a "natural-gas company".

3. The sale "is closely connected with and a part of local gathering".[4]

The Commission affirms its claim of jurisdiction over the particular sales in question by the following points:

1. Prior to the sales in question the activity of "gathering" ended and transportation in interstate commerce, within the meaning of the Act, took place. Such sales, therefore, were made "in interstate commerce" (Commission brief, pp. 29-33).

2. Even if the gas were not transported in interstate commerce, within the meaning of the Act, prior to the sales, nevertheless the gathering had been com-

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[2] This contention of the Commission was adopted by the Circuit Court, which held broadly that such exemption did not apply to sales (R. II. 914, 915).

[3] See Commission brief, pages 26, 34, 43, 44, 45.

[4] However, a sale made to an interstate pipe line which commences the trunk line interstate transportation is said to be made "after the completion of gathering," and thus is not within the exemption. A sale to be exempt apparently must be from one gatherer to another gatherer, in the process of gathering, and thus be a "part of local gathering" (Commission brief, pages 34, *et seq.*

pleted at the point of sale and so the sale is subject to regulation, being a sale "in interstate commerce" (Commission brief, pp. 34, 35).

3. Petitioner is otherwise a natural-gas company, and, therefore, all sales to interstate pipe lines for resale are regulable whether or not made as a part of production and gathering (Commission brief, pp. 35, 40, 43).

4. Petitioner and Mississippi River Fuel Corporation have corporate affiliations, and Petitioner and United Gas Pipe Line Company have "close contractual and operating arrangements" (R. I. 59; Commission brief, pp. 35, 40, 43; See also discussion Commission brief, pp. 11-14, although not reflecting findings of the Commission concerning affiliation).

Not a single point relied upon by the Commission supports its claim of jurisdiction as a brief discussion will demonstrate.

1.

The Contention That Petitioner "Transported" Gas After Completion of Gathering and Prior to Sale.

There is no dispute about the actual facts of Petitioner's operation. Stripped of all statutory terminology, and the use of labels to support the legal conclusion of jurisdiction, the gas produced and purchased by Petitioner moves from the producing wells through a series of pipe lines in the field in a continuous stream and without interruption, to the three points of delivery where the interstate pipe line companies take possession and do the things necessary to prepare the gas for its interstate journey. We will not repeat the de-

scription recited in petitioner's brief, pages 3, 4, 5, 44, 45 (note 8) and 46.

The Commission's brief states as a purported finding of "fact" the things that are in legal dispute and are presented for the decision of this Court. At the outset the Commission's brief characterizes certain field lines as "trunk pipe lines" (Commission's brief, pp. 2, 8, 29). Such phraseology has no specific significance. Such lines are not transmission lines. The Engineering and Accounting Staff in its testimony deemed these lines as field lines and so they are gathering lines under the Commission's own classification (Petitioner's brief, p. 24). Calling these field lines "trunk lines" doesn't negative their use as pipe lines in the gathering of gas within the meaning of the Act.

The finding of the Commission, as interpreted in its brief, is that petitioner's produced gas was completely gathered and then was commingled with gas purchased from other producers who had completed the gathering of their gas. From this point, stated to be the premises of the DeSiard station, it is claimed that the gas was "transported" to the points of sale in the Monroe Field. This finding is not merely one "as to the facts" (See Section 19b of the Act). It is a legal conclusion of the Commission's jurisdiction based upon the Commission's interpretation of the admitted facts and the statutory requirements.

The Commission's brief (p. 30, note 7) apparently urges that these findings that petitioner transported gas in interstate commerce prior to its sale in some way are binding on petitioner. The statute states that:

> "The finding of the Commission as to the facts, if supported by substantial evidence, shall be conclusive" (Section 19(b)).

The facts here are not disputed; the application of the statute to those facts by the Commission is here for review.[5]

The Commission would limit the activity of "gathering" solely to the removal of gas from several wells to the first common point of commingling. Based upon this restricted meaning the conclusion is urged that the end of gathering the gas had taken place "at least when it reached the premises of petitioner's DeSiard compressor station • • •" (Commission's brief, pp. 31, 33). This restricted meaning is not justified by the Natural Gas Act (Sec. 1(b)) wherein the disjunctive "or" is used to extend the exemption to either the function of producing or the function of gathering. Such a restricted meaning of "gathering" also is not in accordance with the use of the term in the trade or in any publication or in any decided case (see Petitioner's brief, pp. 14-23).

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[5] In footnote 7, page 30, the Commission's brief alleges the failure of Petitioner specifically to urge the absence of substantial evidence to support the Commission's findings. Such does not need to be stated. If an objection to the order is made, the lack of substantial evidence is a rule to guide the Court in considering the findings on the facts. Here we are dealing with limitations upon the jurisdiction of the Commission and its ultimate findings based on the application of law to the facts are in no sense conclusive.

Under the American constitutional system, powers may be exercised by administrative agencies only "within the scope of the delegated authority" under which they purport to be exercised (*Interstate Commerce Commission* v. *Illinois Central R. Co.*, 215 U. S. 452, 470 (1910)). Courts customarily determine whether, in interpreting or applying statutes, an administrative agency has "applied the proper criterion", its basis of judgment "is erroneous as a matter of law" or whether "there is no statutory sanction for such a procedure" (*United States* v. *Carolina Carriers Corp.*, 315 U. S. 475, 483, 488, 486 (1942); *Howard Hall Co.* v. *U. S.*, 315 U. S. 495, 499).

An excellent statement of the judicial function in jurisdictional matters is found in *Stark* v. *Wickard* (321 U. S. 288, 310 (1944)) as follows:

> "The responsibility of determining the limits of statutory grants of authority in such instances is a judicial function

The Commission has failed to cite a single authority or reference that supports its limited or restricted views. No answer whatsoever is attempted to the undisputed testimony of Commission's staff witnesses, all of whom classify these lines as gathering and not transmission lines (Petitioner's brief, pp. 24-28) and of the staff's recent report on this subject (Petitioner's brief, p. 29).

Although without particular significance, the statement that:

> entrusted to the courts by Congress by the statutes establishing courts and marking their jurisdiction. * * * This is very far from assuming that the courts are charged more than administrators or legislators with the protection of the rights of the people. Congress and the Executive supervise the acts of administrative agents. The powers of departments, boards and administrative agencies are subject to expansion, contraction or abolition at the will of the legislative and executive branches of the government. These branches have the resources and personnel to examine into the working of the various establishments to determine the necessary changes of function or management. But under Article III Congress established courts to adjudicate cases and controversies as to claims of infringement of individual rights whether by unlawful action of private persons or by the exertion of unauthorized administrative power."

In passing upon certain specific authority of the Interstate Commerce Commission, this Court has held that the authority of an administrative agency to pass upon jurisdictional language, or the definitions of a statute, is merely "incidental" to its functions of passing upon the administrative questions delegated to it by the statute. "The [Interstate Commerce] commission for the purpose of determining whether it is authorized by the Act to consider the merits, may pay incidentally upon the question whether the project [extension or new construction of a line] is one covered by [the statute requiring approvals of the Commission for such extensions or new construction]. But the decision of that question is for the court in either a suit to set aside an order granting a certificate or in a suit * * * to enjoin a violation of [the statute]. The function of the court is to construe that paragraph; that of the commission is to determine whether the project, if it is one covered by the paragraph, is in the public interest" (*Powell* v. *U. S.*, 300 U. S. 276, 287 (1937)).

The question here is the correct application of the law to the admitted facts.

> "'All the gas sold to the three pipe line companies (except for that delivered by Southern Carbon at Meter 128-P) is brought to the premises of the DeSiard station before being transported to the point of delivery to the three purchasing companies'',

is not an exact statement of the facts (Commission's brief, p. 32). For example, lines F-45 and F-44 go around the compressor station (R. I, 182, 187, 188). The maps attached to the Commission brief as Appendices A and B are not correct representations of the layout of pipe connections in the vicinity of DeSiard station. Appendix B is not in the record and shows all lines running into DeSiard station, from which it could be assumed that all gas produced and purchased by petitioner is compressed by the machinery in that station. This is not the fact. These pipe lines run through the yard surrounding the compressor station, referred to in the Commission brief as the "premises" of the DeSiard station. (See Exhibit 43, Map, R. II, 599; photograph, R. II, 596, which shows the station itself and surrounding yard.) We must restate that the gas sold to the three pipe line companies is not compressed by petitioner and moves to the points of sale under natural pressure. The gas is not all brought into one place and commingled prior to its delivery to the three points of sale. It flows through the various field lines until the particular gas destined for the three points of delivery moves into the lines which connect with the meters through which the gas is measured to the purchasers. Only when delivered to the purchaser has "gathering" ended.

The attempt to distinguish the gathering of oil from that of gas (Commission's brief, p. 31, note 9) emphasizes the correctness of petitioner's position. In the case cited by petitioner, the Caminol Company's oil had been brought

through the "small lateral or feeding lines to a larger pipe line and thence, for a distance of slightly more than two miles, to its refinery" (Petitioner's brief, pp. 18-19). The gathering operation was held not to end until delivery at the refinery where the oil was refined. "All the oil in question was transported in uninterrupted movement from the place of production to that of refinement" (Petitioner's brief, p. 19). The movement of oil there held to be "gathering" is similar to the movement of gas through Petitioner's lines F-1, F-33a, F-44, F-45 and F-43 to the points of delivery. The whole purpose of the uninterrupted movement from the place of production or purchase is to get the gas to these three purchasers.

The gathering of gas which is compressed at DeSiard station for transportation through Petitioner's transmission line T-1 to Baton Rouge naturally ends when delivered into the compression machinery. The *function* of the gathering has then been completed. Gas which goes by the premises of DeSiard compressor station has not been gathered *functionally* until delivered to the compressor stations of the three pipe line purchasers. Consequently, the geographical location where the gathering of the Baton Rouge gas ends is not the geographical location of the points where the gathering of other gas ends. When gas moves from the DeSiard station compression machinery, it is commencing its interstate journey to Baton Rouge in the same manner as gas moving from the compression machinery of the three purchasing pipe line companies. This difference is the distinguishing factor which the Commission's brief fails to comprehend (Commission's brief, p. 33), namely the functional purpose of gathering the gas.

2.

Unreasonable Results from the Commission's View of the Gathering Activity.

If the interpretation and definition of "gathering" urged by the Commission were to be established and applied to the Monroe Field, many producers in that field would be subject to price regulation by the Federal Power Commission and many others would not. If producer "A" owns ten wells in the extreme westerly part of the field the gathering of his gas would be completed as soon as each of the smaller field lines had delivered gas into a larger (arbitrarily by Commission counsel denominated a "trunk") field line. If that producer, in order to sell his gas, had to move it to the compressor station of any of these three pipe line purchasers, then such sale would be regulable under the Commission's view. If that producer moved his gas part of the distance to the point of delivery to the purchaser after the last well line connection with the trunk field line, then such movement, under the Commission's interpretation, would be transportation in interstate commerce. The only producer who could be certain of freedom from regulation would be one who sells at the well mouth.

Notwithstanding that all such movement would be within the limits of the producing field and would extend no further than the place where the purchasing interstate pipe line begins its preparation of the gas for its subsequent transmission to other states, yet the specific character of this movement within the producing field would determine whether a producer and gatherer is to have his gas price fixed under the utility concept of Federal Power Commission regulation. If the purchasing pipe line company extends its own lines from its compressor station out into

the field and takes delivery of gas at each point where the gas from a group of wells is brought to a central point, then such sales would not be subject to regulation. However, if the purchasing pipe line company established one or more central points in the field to which producers are to bring their gas, then the Commission would find that such movement, whatever the distance, constitutes transportation of natural gas in interstate commerce within the meaning of the Act.

If this restricted viewpoint of gathering were to be applied to producers in the State of Texas, the producers which would be free from the regulatory control of the Commission would be few indeed. The protestations of the Commission in its brief, that it has never sought to extend its jurisdiction over sales of natural gas made by independent producers and gatherers, has little meaning if the Commission is to follow a concept of gathering which limits that activity to the movement of gas from the well to the first point of commingling. The producing fields in Texas encompass a large area. This Court has dealt with matters involving the Panhandle field in Texas which is approximately 120 miles long. It is customary in that field, as well as in other producing fields in Texas, for the producer to tie his wells in to his own gathering system and then move the gas to a central point where delivery is taken by the purchaser. In many instances the distance from the last well line to the point of delivery to the purchaser may be several miles. That such is the intent and purpose of the Commission is evidenced by the statement in its brief that the sale may be exempt from regulation where "the sale is closely connected with and a part of local gathering" (Commission's brief, p. 34).

Actually the Commission's position as evidenced in the brief, Part II B, would make every sale by a producer regulable unless made at the well mouth or made *prior* to the completion of the gathering activity. Gathering by the producer of necessity must end when delivery is made to the compressor station of an interstate pipe line purchaser. Such a sale, argues the Commission, is not under the exemption of production or gathering. Accordingly, to be exempt a sale would have to be made before physical possession were taken by the purchaser and title would have to pass at some point in the gathering system of the producer and gatherer (see Commission's brief, pp. 34, 35), or the purchasing pipe line would have to own a part of the gathering system. Such an interpretation is clearly contrary to the Act and to every concept of gathering held in the industry, in books written on the subject and in decided cases. To follow it would be a continuation of the misconception of the intention of Congress. Could Congress possibly have intended an interpretation under which jurisdiction depends upon the location of the producer's wells in the field? Is it reasonable that Producer A whose wells are ten miles from the pipe line receiving station be compelled to sell his gas on a cost of investment basis, and Producer B whose wells are all close by the receiving station be allowed to charge a negotiated price? Can the rationale of regulation be dependent upon geographical location of the wells in a large producing field? Such unreasonable results negate an interpretation that produces them.

The movement of gas within the limits of a single producing field in a single State is not the character of transportation of natural gas which Congress sought to regulate. The reports of the House and the Senate Committees make no mention of transportation within a producing field

in describing the activities intended to be reached by the Bill. Reference is made to sales by a producing company to a distributing company, and the cases of *Missouri* v. *Kansas Natural Gas Company*, 265 U. S. 298, and *Public Service Commission* v. *Attleboro Steam and Electric Company*, 273 U. S. 83 are given as instances of the type of transportation and sale to be regulated. The limitation of Section 1(b) that the Act "shall not apply to any other transportation or sale of natural gas" adds emphasis to the exemption given production or gathering. Not only is the movement up to the point of sale a gathering activity, but it clearly is "other transportation" as distinguished from the interstate movement contemplated by the Committee reports. That the actual interstate transportation of the gas begins after it passes through the compression machinery of the purchasers is emphasized by the things which each purchaser must do to the gas before it can move out of Louisiana (Petitioner's brief, pp. 4, 5). The pressure at which the gas is delivered to the pipe line will not move the gas out of Louisiana at the required rate of flow or volume. It must be brought up to higher pressure. One cubic foot of gas delivered by petitioner occupies only ⅓ cubic foot when it leaves the pipe line compressors. The reduction of pressures by the local distributing company has been likened to the breaking of the package which signifies the end of the interstate movement—*East Ohio Gas Co.* v. *Tax Commission*, 283 U. S. 465. Likewise the increasing of pressure upon the gas by the pipe line company signifies the making up of the package which is the last step in the preparation for the interstate movement of the packaged gas. Petitioner, as well as the other suppliers of the pipe line companies, brings unpackaged gas to the place where the package is

made up for shipment. This movement is "other transportation" than interstate transportation as contemplated by the Act; and the sale there made is an "other sale" to which the Act is not to apply.

3.

The Commission-Enacted Rules of

(a) Otherwise a Natural-Gas Company; and

(b) Affiliation Between Seller and Purchaser

No authority in the Act, in its legislative history, or in any court decision, can be cited in support of the Commission's contention that the sales here made are regulable just because petitioner is a natural-gas company by reason of other activities subject to regulation. That a natural-gas company under the Act may engage in sales of gas not subject to the Commission's jurisdiction has been recognized and stated by this Court. Such nonjurisdictional activities continue exempt from Commission control and regulation. *Panhandle Eastern Pipe Line Company* v. *F. P. C.*, 324 U. S. 635, 641-642; *Colorado Interstate Gas Company* v. *Federal Power Commission*, 324 U. S. 581.

The test of the validity of Commission regulation is not the character of the general business of the Company but whether the particular activity sought to be regulated is within the lawful limits of the statutory authority granted the Commission.

Likewise, the existence of some type of "affiliation" between the seller and purchaser, whether by virtue of stock ownership or by reason of long contractual relationships, is not stated in the Natural Gas Act as a basis for jurisdiction. The discussion in the legislative history concerning affiliation merely deals with the well established prin-

ciples of rate fixing wherein the regulatory authority might disallow as an operating expense some part of the cost of gas purchased from a corporate affiliate. *United Fuel Gas Company* v. *Railroad Commission*, 278 U. S. 300, 320; *Western Distributing Company* v. *Public Service Commission*, 285 U. S. 119; *Dayton Power and Light Company* v. *Public Utilities Commission*, 292 U. S. 290. In each of those cases the affiliation was by reason of 100% stock control of the seller and buyer by a single corporation.

The authority of a regulatory body under those decisions does not extend to a direct regulation of the price actually received for the gas by the affiliated vendor. If there is no direct authority to regulate, then the fact of affiliation does not confer it. In any event, the only purchasing pipe line company whose stock is owned in part by one of the stockholders of petitioner is Mississippi River Fuel Corporation. In the other pipe line companies, petitioner has no financial interest or control. Affiliation is of no consequence in the case of Mississippi River Fuel Corporation since the evidence, by comparison with rates charged to the others (R. II, 558), shows clearly that prices charged to that alleged "affiliate" were not the result of over-reaching. The absence of such over-reaching certainly is tantamount to arm's length bargaining on the only matter material here—the rates.

The attempt of the Commission to differentiate between a sale which "is closely connected with and a part of local gathering" (Commission brief, p. 34) and a sale made directly at the end of and as the final step in the gathering movement, is without merit. The impact upon production and gathering is the same whether the sale and transfer of title, possession, and control take place at the end of the gathering line or 100 feet before such end. In either event the sale is an essential part of the gathering activity with

out which gathering could not take place. When the sale and delivery of gas is made to an interstate pipe line, the gathering process by the seller always will end concurrently with the sale. If the distinction urged by the Commission were to be followed, then sales by producers would be limited to well mouth transactions and the exemption accorded to gatherers of gas by the statute would be nullified.

Are the sales in question transactions in Interstate Commerce?

At three places in the Commission's brief reference is made to the case of *Interstate Natural Gas Company* v. *Louisiana Public Service Commission,* 34 F. Supp. 980 (E. D. La.). That case is characterized as an attempt to free the sales in question from State regulation on the ground that such sales were contended then to be transactions in interstate commerce. A quotation from a part of the petition for an injunction is cited, and *there is an artful attempt to make that case appear as dealing solely with an attempt by the Louisiana Commission to regulate the price of the sales here involved and nothing more.* The treatment given this case in the Commission's brief not only fails to describe the complete situation before the District Court but attempts to make the case appear as something other than it actually is. Accordingly, it is necessary to recite the facts of that proceeding, the issues involved, and what the Court actually held.

The action was to prevent a general investigation of all of petitioner's business by the Louisiana Public Service Commission, which purported to proceed under statutory authority giving it jurisdiction over *public utilities engaged in intrastate activities in Louisiana.* That Commission was

interested in gas that was consumed in Louisiana, and the principal contention made by petitioner was that under the Louisiana Law the Public Service Commission had jurisdiction only over intrastate public utilities or common carriers and that its activities did not constitute it either a public utility or a common carrier (R. II, 849, 861). *There was no statute purporting to give the Louisiana Commission authority over sales of gas not consumed in Louisiana.*

Petitioner also showed that its sales of gas to local utilities for distribution to the public in Louisiana were made almost entirely after the pipe line passed through the State of Mississippi and then re-entered Louisiana, and so were sales in interstate commerce (R. II, 860). Only a small quantity of gas was delivered in Louisiana prior to the pipe line entering Mississippi. The sales to the pipe lines in the Monroe Field were characterized as being made for transportation in interstate commerce and sale outside Louisiana, and so could not be under the statutory authority of the Louisiana Commission. Actually the State Commission could have no interest in those sales since no consumer in Louisiana ever received any of that gas.[6]

A preliminary injunction was denied, notwithstanding petitioner's contentions with respect to all of its business, and even though the Court said:

> "It is true that the Louisiana statute appears to apply only to *public utilities operating in intrastate commerce*, but it would seem that the Commission should be permitted, regardless of any express authority with respect to affiliates, to make investigation of and require information from concerns such as Plaintiff, with respect to its *dealings with local utilities serving the public*, when the monopo-

[6] The title of the state proceeding was: "*In re:* Rates, charges and practices for gas service within the State of Louisiana (R. I, 25, 508).

> listic character of the gas business is such that its price may be fixed by complainant according to its own views and would be governed, no doubt, by what 'the traffic would stand' " (Emphasis supplied) (33 Fed. Supp, 50, p. 59).

Observe that the Court is concerned with the sales to local utilities and not to the interstate pipe lines.

Upon final hearing no additional evidence was adduced, and only petitioner filed a brief. Probably the failure of the Public Service Commission to contest the matter was its filing of a complaint in the meantime with the Federal Power Commission, which resulted in a reduction in rates to the local utilities served by petitioner,—rates accepted by petitioner and not in contest here.

The facts considered by the Court were based on a stipulation describing all the various activities and sales of petitioner at length, among others being the sales here involved.

On the basis of all the facts, the Court said:

> "In view of these facts, we are constrained to hold that the complainant is not a public utility or a common carrier pipe line, and that 99.83% of its gas is sold and moves in interstate commerce" (34 Fed. Supp. 980 at 981).

It is clear that the Court was concerned primarily with the status of petitioner as a local public utility selling gas for resale to the public, and the sales made by petitioner in the Monroe Field were simply lumped together with the gas transported and sold through Petitioner's interstate pipe line. Since the Louisiana Commission was not seeking jurisdiction over the field sales alone, but was starting upon a complete investigation of all of petitioner's activities that affected the sale of gas to consumers in Louisiana, the exact

status of the particular sales here involved was not essential to the decision enjoining the proposed broad investigation. There was no necessity of studying in detail the exact character of those sales. The real basis of the holding is that petitioner was not a local public utility under the Louisiana law which fixed the jurisdictional limits.

At the 1946 session of the legislature of Louisiana, Act No. 373 was passed conferring upon the Louisiana Commission authority over the intrastate transportation and sale of natural gas to local distributing systems for resale within the State of Louisiana. This statute gives authority to the Louisiana Commission not held by it when petitioner filed its injunction suit. A proceeding has now been instituted by the Louisiana Commission against petitioner, being Case No. 4607, instituting inquiry as to intrastate sales to distributing companies of gas for resale within the State of Louisiana. However, this recent statute does not purport to give any authority to the Louisiana Commission over the field sales here involved since this gas is not transported or sold to local distributing companies for resale within the State. Until statutory authority is given to the State Commission, it could not have regulatory power over these sales, and this petitioner did nothing more in the case under discussion, and seeks to do nothing more here, than to prevent both State and Federal Commissions from exercising regulatory authority not conferred by statute.

Petitioner has consistently averred the general lack of jurisdiction over the sales in question (Petition for Rehearing Before the Commission, R. I, 94, 97). In its review petition a general lack of jurisdiction is likewise alleged (R. I, 15-17). The fact that petitioner sought to reply principally on the production or gathering clause as a basis for a lack of jurisdiction does not limit its general right under the Petition for Review presented to the Circuit Court

of Appeals. It is, of course, beyond petitioner's power to confer jurisdiction upon the Commission if as a matter of fact and law the sales are not within its statutory authority.

The Commission relies principally on *Currin* v. *Wallace* (306 U. S. 1) and similar cases wherein the question involved was the right of the Federal Government to impose regulations upon local transactions because of their effect on commerce. If the transaction here in question properly is a sale in interstate commerce requiring national treatment then it is one which is beyond state authority to control. We submit that under the recent cases of this Court such as *Milk Control Board* v. *Eisenberg Company* (306 U. S. 346) a sale of a product for direct and immediate transportation outside of the state is subject to the regulatory processes of the state. Certainly such transactions can be regulated by the Federal Government and there is no contention here that these sales could not be placed under the jurisdiction of the Commission by Congress. None of the cases dealing with natural gas transactions have been based upon the question of a sale made under the circumstances such as these now presented. In *Missouri* v. *Kansas Natural Gas Company* (265 U. S. 298) the sales were made after the transportation beyond the state of production. In *Public Service Commission* v. *Attleboro Steam and Electric Company* (273 U. S. 83) the sale was made at the state line after transportation from the electric generating plant. In *Peoples Natural Gas Company* v. *Federal Power Commission* (127 F. 2d, 153, cert. den., 316 U. S. 700) the interstate commerce question revolved about sales made after compression at a compressor station of the seller and without any finding as to source of the gas, any reference to Section 1(b) of the Act and any determination as to whether or not the seller had transported the gas prior to its compression and sale. Actually all that the

Peoples case decided was that the allegations in the petition for the issuance of a subpoena *duces tecum* were sufficient and that the subpoena should issue.

Conclusion.

In presenting to the Court the question of jurisdiction of the Commission over the sales to Mississippi River Fuel Corporation, Southern Natural Gas Company and Memphis Natural Gas Company, of gas produced and purchased in the Monroe Field, Louisiana, moved through pipe lines of the petitioner within the limits of that field, delivered by the natural pressure of the wells and without any compression whatsoever to the points of sale, petitioner has described an activity typical not only in the Monroe Field on the part of all producers who gather and deliver gas to the pipe lines radiating from that field, but typical throughout the producing fields of the Southwest. Gas is produced, is taken through well lines to trunk field lines, is moved to a point of sale in practically every producing field from which long distance pipe lines purchase gas. The attempt by the Commission to draw fine lines of distinction as to the beginning and ending of the gathering activity, as to a sale which is "closely connected with and a part of local gathering," and one which is made immediately upon the completion of gathering, will not result in a reasonable and practical interpretation of this law as intended by Congress. The movement of gas within a single producing field from the well to the compressor station of an interstate pipe line company is either all gathering or it is not gathering. The sale there made either is protected from regulation as being a part of the production or gathering of the gas, or it is not so protected. The attempt to divide juris-

diction so that it will not exist over individual and so-called independent producers, yet will exist over sales made by larger operators on the theory that gathering changes to interstate transportation some place within the field, can only result in discriminatory regulation.

Here are local sales of gas moving from the well without compression to points of sale, with all possession surrendered by the producer in the field and with the purchaser performing many functions prior to the movement to other states. Irrespective of whether such a transaction under contemplation of law might be considered a sale in interstate commerce, we earnestly submit that the intention of Congress will be fulfilled only if this Court denies to the Commission jurisdiction over these sales.

Respectfully submitted,

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INDEX

	Page
Opinions below	1
Jurisdiction	1
Questions presented	2
Statute involved	3
Statement	3
The petitioner	5
The rate order	6
Argument	8
A. The sales in issue are not exempt as production and gathering	9
B. The sales in issue are sales for resale in interstate commerce	14
C. The Commission's order does not result in confiscation	17
Conclusion	21
Appendix A. Natural Gas Act of 1938	22
Appendix B, map	33

CITATIONS

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Canadian River Gas Company v. *Federal Power Commission*, 324 U. S. 581 ..... 12, 13, 20

Cities Service Gas Company v. *Federal Power Commission*, 155 F. 2d 694, certiorari denied Nov. 12, 1946 (No. 556, this Term) 9, 12, 20

Colorado Interstate Gas Company v. *Federal Power Commission*, 324 U. S. 581 ..... 8, 11, 12

Colorado-Wyoming Gas Company v. *Federal Power Commission*, 324 U. S. 626 16

Columbian Fuel Corporation, In the Matter of, 2 F. P. C. 200, 35 P. U. R. (N. S.) 3 10

Dahnke-Walker Milling Company v. *Bondurant*, 257 U. S. 282 17

Federal Power Commission v. *Hope Natural Gas Company*, 320 U. S. 591 ..... 9, 11, 16, 20

Hartford Electric Light Company v. *Federal Power Commission*, 131 F. 2d 953, certiorari denied, 319 U. S. 741 ..... 11, 17

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Illinois Gas Company v. *Public Service Company*, 314 U. S. 498 16

Interstate Natural Gas Co. v. *Public Service Commission*, 33 F. Supp. 50; 34 F. Supp. 980 15

Interstate Natural Gas Company, Inc., In the Matter of, Docket No. G-218 15

Jersey Central Power & Light Company v. *Federal Power Commission*, 319 U. S. 61 17

Cases—Continued Page

Lemke v. *Farmers Grain Co.*, 258 U. S. 50 17
Missouri v. *Kansas Gas Company*, 265 U. S. 298 ..... 9, 16
Panhandle Eastern Pipe Line Company v. *Federal Power Commission*, 324 U. S. 635 ..... 9, 12, 20
Peoples Natural Gas Company, The v. *Federal Power Commission*, 127 F. 2d, 153, certiorari denied, 316 U. S. 700 ..... 8, 9, 11, 16
Public Utilities Commission v. *Attleboro Steam & Electric Company*, 273 U. S. 83 ..... 9, 16
Shafer v. *Farmers' Grain Company*, 268 U. S. 189 ..... 9, 16
Stafford v. *Wallace*, 258 U. S. 495 17
State Tax Commission v. *Interstate Natural Gas Co.*, 284 U. S. 41 17
Swift & Company v. *United States*, 196 U. S. 375 17
United Fuel Gas Company v. *Hallanan*, 257 U. S. 277 ..... 9, 16
United States v. *Allen*, 179 Fed. 13 11
United States v. *Reading Co.*, 226 U. S. 324 17
Wisconsin Public Service Corporation v. *Federal Power Commission*, 147 F. 2d. 743, certiorari denied, 325 U. S. 880 17

Statute:

Natural Gas Act of 1938, C. 556, 52 Stat. 821, 15 U. S. C. 717, et seq:

Sec. 1 ..... 11, 22
Sec. 4 22
Sec. 5 25
Sec. 6 26
Sec. 9 27
Sec. 14 28
Sec. 16 29
Sec. 19 ..... 16, 30

Miscellaneous:

H. Rep. 709, 75th Cong., 1st sess 11
Sen. Rep. 1162, 75th Cong., 1st sess 11

In the Supreme Court of the United States

OCTOBER TERM, 1946

No. 733

INTERSTATE NATURAL GAS COMPANY, INCORPORATED, A CORPORATION, PETITIONER

v.

FEDERAL POWER COMMISSION, LOUISIANA PUBLIC SERVICE COMMISSION, CITY OF NEW ORLEANS, LOUISIANA, AND CITY OF BATON ROUGE, LOUISIANA, RESPONDENTS

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

BRIEF FOR THE FEDERAL POWER COMMISSION IN OPPOSITION

OPINIONS BELOW

The opinion and order of the Commission (R. I. 55–86) are reported at 48 P. U. R. (N. S.) 267. The opinion of the Circuit Court of Appeals (R. II, 910–927) is reported at 156 F. 2d 949.

JURISDICTION

The judgment of the Circuit Court of Appeals was entered on August 3, 1946 (R. II, 928). A

petition for rehearing was denied on October 1, 1946 (R. II, 948). The petition for a writ of certiorari was filed on November 30, 1946. The jurisdiction of this Court is invoked under Section 19 (b) of the Natural Gas Act, and under Section 240 (a) of the Judicial Code, as amended by the Act of February 13, 1925.

QUESTIONS PRESENTED

1. Whether, where a natural gas company makes sales in interstate commerce of natural gas for resale, to interstate pipe line companies in a producing field, after such gas (which is both produced and purchased) has been commingled, gathered, and transported in the same field into a pipeline known as a "header" and thence transported through such "header" to an extension thereof from which the sale takes place, such sales are exempt from the jurisdiction of the Federal Power Commission by reason of the language of Section 1 (b) of the Natural Gas Act to the effect that its provisions shall not apply to the production or gathering of natural gas.

2. Whether the Commission's order establishing a rate of 4.66¢ per thousand cubic feet for the sales in issue is confiscatory in that such sales price is less than the average price paid by petitioner for a portion of its purchased gas, even though the order allows the average cost of all

gas, both produced and purchased, and a fair return on a proper rate base.[1]

STATUTE INVOLVED

The relevant portions of the Natural Gas Act are set forth in Appendix A, *infra*, pp. 22–32.

STATEMENT

The proceeding before the Commission arose out of a complaint filed by the Louisiana Public Service Commission against petitioner on May 23, 1939, alleging that the rates charged by it for natural gas sold to utilities and municipalities for resale were unjust and unreasonable, and requesting an investigation and the fixing of fair and reasonable rates (R. I, 23–35). Petitioner filed an answer to such complaint denying the jurisdiction of the Commission (R. I, 36–43). The Commission, on December 5, 1939, on its own motion, instituted an investigation of all inter-

[1] We believe the questions stated by petitioner do not correctly set forth the issues involved. Petitioner also formulates questions as to whether the sales by it are in fact sales in interstate commerce (Pet. 4). These questions, first sought to be introduced after the adverse decision of the Court of Appeals, are irreconcilably in conflict with prior admissions of petitioner in its reply brief before the Commission (p. 18) and its brief in the Circuit Court of Appeals (p. 24) that the sales in question were sales in interstate commerce. Furthermore, they incorporate allegations contrary to the facts admitted at the hearing and contrary to the uncontested findings of the Commission. See below, pp. 14–16.

state wholesale rates and charges of petitioner (R. I, 50–52).

The complaint and the general investigation were consolidated for hearing (R. I, 52–54) and hearings were held at intervals during June and July of 1942 for a total of 8 days. Evidence was presented by petitioner, by the Louisiana Public Service Commission, by the cities of Baton Rouge and New Orleans, and by the Commission's staff. After submission of briefs and oral arguments before the Commission, the Commission, on April 27, 1943, issued its opinion and order hereunder review, finding (1) that petitioner was a natural-gas company within the meaning of Section 2 (6) of the Natural Gas Act and (2) that its interstate wholesale rates were excessive and should be reduced on and after May 15, 1943, by the amount of $1,100,345 as applied to the volumes as gas sold in the test year 1941 (R. I. 80, 86).

Petitioner accepted certain of the ordered reductions, but appealed so much of the order of the Commission reducing rates as pertained to sales to Mississippi River Fuel Corporation[2] at the latter's compressor station near Perryville, Louisiana (R. I, 82), to Southern Natural Gas Company[3] at the latter's compressor station, also near Perryville, Louisiana (R. I, 82), and to United Gas Pipe Line Company[4] for the account of

[2] Hereinafter referred to as Mississippi.
[3] Hereinafter referred to as Southern Natural.
[4] Hereinafter referred to as United.

Memphis Natural Gas Company[1] at Memphis' compressor station near Guthrie, Louisiana (R. I, 83), which the Commission had held excessive in the amount of $596,320. The dispute in this proceeding involves petitioner's sales of gas to the three companies above named.

The Petitioner.—Petitioner owns and operates a natural gas pipeline system, consisting of 110 natural gas producing wells in the Monroe Field, Louisiana, pipelines which gather gas produced from its own wells and purchased from other companies, and pipelines which transport such commingled produced and purchased gas in interstate commerce to various points of sale in Louisiana and Mississippi, including the points of delivery in the Monroe Field to Mississippi, Southern Natural, and United for the account of Memphis.

All of the commingled gas prior to delivery to the above purchasers by petitioner is brought to a point near Fowler, Louisiana, and then transported through its lines F–1 and F–44, which are what is known as "headers." Prior to the transportation of the gas through such "header" lines, the gathering of both produced and purchased gas has been completed, and no such activities occur on either line F–1 or F–44.

"Header" line F–1 and F–33A (a lateral connected to F–1) are utilized to make deliveries to

[1] Hereinafter referred to as Memphis.

Mississippi and Southern Natural at Perryville, and "header" line F–44 and F–43 (a lateral connected to F–44) are used for the delivery to United, for Memphis, at Guthrie (R. I, 142, 467; II, 573).[6]

The gas so transported and sold in interstate commerce to such companies continues its uninterrupted flow in interstate commerce for resale for ultimate public consumption in the States of Mississippi, Alabama, Georgia, Arkansas, Tennessee, Missouri, and Illinois.

The Rate Order.—The Commission in determining the reasonableness of petitioner's interstate wholesale rates, used 1941 as the test year. There is no dispute regarding the actual legitimate original cost of petitioner's property in service as of December 31, 1941, which was found to be $21,387,159 (R. I, 64). From this amount the Commission deducted $6,328,924 for depletion and depreciation (R. I, 64–67) and added $178,550 for construction work in progress (R. I, 70) and $347,202 for working capital. This resulted in a rate base of $15,585,975 "for the company's property as an assembled whole and an established gas utility in successful operation" (R. I, 65, 64, 70). On that rate base it computed a return of 6½%.

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[6] Interstate's "header" line F–1 is about 4 miles in length, F–44 is about 1.5 miles long, F–43 and F–33A are each less than a mile in length; see map, Appendix B (adapted from R. II, 599).

The Commission then determined the total cost of service (including return of 6½%) in the amount of $5,189,197. This cost was allocated to the sales subject to the jurisdiction of the Commission and to the unregulated sales in accordance with the "demand and commodity" method. Of the foregoing amount, $2,487,955 was determined to be the total cost of service (including return) applicable to all jurisdictional sales. The revenues from jurisdictional sales exceeded the cost of service (including return) by $1,375,777. (R. I, 75–76.) Such excess return was adjusted downward to take into account reduction in rates voluntarily made by petitioner between the date of the hearing and the issuance of the Commission order of April 27, 1943, so that the ordered reduction amounted to $1,100,345.

Petitioner disputes $596,320 of such reduction, the amount allocated by the Commission to the sales to the three companies mentioned above. Petitioner has accepted the balance of the rate reduction order and by so doing, has accepted by implication the rate base determination as well as the allocations of cost made by the Commission.

On May 13, 1943, petitioner applied for a rehearing of the Commission's order (R. I, 93–100) and, on June 9, 1943, the petition for rehearing was denied (R. I, 100–102). On June 14, 1943, a peti-

tion for review[7] was filed with the Circuit Court of Appeals for the Fifth Circuit (R. I, 11–18) which heard oral argument on May 13, 1946, and on August 3, 1946, affirmed the Commission's order (R. II, 910–928), Judge Waller dissenting. A petition for rehearing[8] was denied on October 1, 1946 (R. II, 948).

ARGUMENT

Petitioner here seeks a review of rate regulation questions which have been repeatedly considered by this Court and resolved adversely to the contentions now advanced by petitioner.[9]

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[7] By stipulation dated October 22, 1945 (R. I, 10–11), petitioner waived all points raised by the petition for review not based on alleged lack of the Commission's jurisdiction over petitioner's sales to Mississippi, Southern Natural, and United, for account of Memphis, by reason of the "production or gathering" provisions of subsection 1 (b), of the Natural Gas Act, and confined the points in issue to points 2, 3, 4, 29, 30 and 32 of the petition for review. Petitioner's brief in the Circuit Court of Appeals nevertheless raised an issue of confiscation as to the three sales here involved. Petitioner attempted to raise a further issue, in its petition for rehearing in the Circuit Court of Appeals, as to whether or not the sales in issue were sales in interstate commerce, which it had previously admitted. Cf. pp. 14–16, *infra*.

[8] Briefs in support of the petition for rehearing were filed on behalf of the State of Texas and on behalf of certain producing interests as *amici curiae* in the Circuit Court of Appeals, making the contention introduced by Interstate in its petition for rehearing, contrary to its previous admissions, that the sales in issue were not sales in interstate commerce.

[9] *Colorado Interstate Gas Company* v. *Federal Power Commission*, 324 U. S. 581; *The Peoples Natural Gas Company* v. *Federal Power Commission*, 127 F. 2d 153 (App. D. C.),

A. *The sales in issue are not exempt as production and gathering.*—Petitioner attempts to reopen the "production and gathering" issues under Section 1 (b) of the Natural Gas Act and to obtain an exemption thereunder for the sales of natural gas here in issue.

Petitioner ignores the case of *The Peoples Natural Gas Company* v. *Federal Power Commission*, 127 F. 2d 153, 155, certiorari denied, 316 U. S. 700, in which it was held by the United States Court of Appeals for the District of Columbia that sales of natural gas by Peoples to New York State Natural Gas Corporation immediately upon completion of production and gathering at the edge of the producing field, for transportation by the

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certiorari denied, 316 U. S. 700; *Federal Power Commission* v. *Hope Natural Gas Company*, 320 U. S. 591; *Panhandle Eastern Pipe Line Company* v. *Federal Power Commission*, 324 U. S. 635; *Cities Service Gas Company* v. *Federal Power Commission*, 155 F. 2d 694 (C. C. A. 10), certiorari denied, Nov. 12, 1946 (No. 556, this Term); *Missouri* v. *Kansas Gas Co.*, 265 U. S. 298; *Public Utilities Commission* v. *Attleboro Steam & Electric Co.*, 273 U. S. 83; *Shafer* v. *Farmers Grain Co.*, 268 U. S. 189; *United Fuel Gas Co.* v *Hallanan*, 257 U. S. 277. It is significant that petitioner nowhere cites or discusses the *Peoples Natural Gas Company* case, *supra*, which was relied upon by the court below on the "production and gathering" issues; nor does it mention the *Cities Service Company* case, *supra*, also relied upon by the court below, in which certiorari was denied by this Court on November 12, 1946 (No. 556, this Term), after an attempt by the Cities Service Company to reopen the "production and gathering" and other issues, which already had been "squarely met and conclusively decided" in the *Colorado*, *Interstate*, *Panhandle*, and *Hope* cases, *supra*.

purchasing company into New York State and resale there to ultimate consumers, were sales of natural gas in interstate commerce for resale subject to jurisdiction of the Commission and not exempt under Section 1 (b) of the Act as "production or gathering."[10] Further, the Court of Appeals (127 F. 2d at 155) disapproved the Commission's decision in the case of *In the Matter of Columbian Fuel Corporation*, 2 F. P. C. 200, 35 P. U. R. (N. S.) 3, relied upon by petitioner. Thereafter application was made to this Court for a writ of certiorari (No. 1234, Oct. T. 1941) and one of the two questions presented was the same "production and gathering" questions here presented.[11]

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[10] The contention of Peoples that the Commission had no jurisdiction over such sale was made in answer to the Order to Show Cause in the case filed in the United States District Court as Exhibit "1" to its Answer and Points in that court. Paragraph (1) (g) of the Answer alleged: "The sale of gas by Respondent to New York State Natural Gas Corporation involves only the production and gathering of natural gas, which activities are specifically exempt from regulation * * * under the Natural Gas Act; and such sale does not involve any transportation of natural gas in interstate commerce or the 'sale in interstate commerce of natural gas for resale for ultimate public consumption' within the contemplation of the Natural Gas Act."

[11] The question there stated was (Pet. 6):

"2. Is a local gas company, the property and operations of which are all within a single state, and whose business essentially and predominantly is the production and gathering of natural gas and its distribution to ultimate consumers, subject to the Natural Gas Act because it sells in

The contention has been repeatedly made in rate cases arising under the Natural Gas Act that the provisions of Section 1 (b) preclude the inclusion in the rate base of the cost of production and gathering facilities and the allowance in operating expenses of the cost of gas produced, but instead require the allowance of a fair price of the gas in the field.

This contention was first made and rejected in *Federal Power Commission* v. *Hope Natural Gas Company*, 320 U. S. 591, 607. It was fully discussed, squarely met and conclusively decided by this Court in *Colorado Interstate Gas Co.* v. *Federal Power Commission*, 324 U. S. 581, 597,

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the producing field a small fraction of its surplus gas at the rate charged industrial consumers to another company which transports the gas, sometimes after storing it in the state of production and purchase, to another state for resale to ultimate consumers, the company first mentioned being regulated as to all of its business, including the sale to the second company, by the state in which it operates?"

Cf. also *Hartford Electric Light Company* v. *Federal Power Commission*, 131 F. 2d 953, 962 (C. C. A. 2), certiorari denied, 319 U. S. 741. See also legislative history of provisions in Sen. Rep. 1162, 75th Cong., 1st sess., accompanying H. R. 6586 and H. Rep. 709, 75th Cong., 1st sess., on the same bill, which was enacted as the Natural Gas Act. The legislative history relied on by petitioner (Pet. 29–35), relating as it does to a prior bill, H. R. 11662, containing different jurisdictional provisions, and not even reported by a Congressional committee, is entitled to no weight for the purposes for which it is cited. *United States* v. *Allen*, 179 Fed. 13, 19 (C. C. A. 8). Cf. *The Peoples Natural Gas Company* v. *Federal Power Commission*, 127 F. 2d 153, 159, certiorari denied, 316 U. S. 700.

and *Panhandle Eastern Pipe Line Co.* v. *Federal Power Commission*, 324 U. S. 635, 648. In the petition for writ of certiorari in *Cities Service Gas Co.* v. *Federal Power Commission*, 155 F. 2d 694 (C. C. A. 10), No. 556, this Term, denied on November 12, 1946, a further unsuccessful attempt was made to reopen the question in this Court.

The Act clearly provides that a sale in interstate commerce of natural gas for resale for ultimate public consumption is a transaction to which the Act "shall apply" whereas the actual production or gathering of natural gas is an activity to which the provisions of the Act "shall not apply." To give effect to the whole, as the principles of construction require, the two activities must be interpreted as being mutually exclusive and not that the second nullifies the first. The regulation in the instant proceeding is over sales in interstate commerce for resale not the production or the gathering of gas. As this Court expressed it, "transportation and sale do not include production or gathering." *Canadian River Gas Co.* v. *Federal Power Commission*, 324 U. S. 581, 598.

In discussing this subject the court below very aptly stated that "petitioner's difficulties in construction and interpretation arise out of the fact that, treating unlike things as alike, it tries to read the exception with respect to production or gathering as an exception with respect to sales.

There is no warrant in the act for so doing." (R. 914.)

This Court stated in the *Canadian* case (324 U. S. at 602–3):

> We must read § 1 (b) in the context of the whole Act. It must be reconciled with the explicit provisions which describe the normal conventions of rate-making.
>
> That does not mean that the part of § 1 (b) which provides that the Act shall not apply "to the production or gathering of natural gas" is given no meaning. Certainly that provision precludes the Commission from any control over the activity of producing or gathering natural gas. For example, it makes plain that the Commission has no control over the drilling and spacing of wells and the like.

With respect to the legislative history of the Act, petitioner quotes at length from the testimony of Mr. Dozier DeVane, former Solicitor of the Federal Power Commission, in connection with the predecessor bill H. R. 11662 containing different jurisdictional provisions from that enacted. We do not contend that the legislative history of a predecessor bill may not be resorted to in a proper case, if necessary, as an aid to ascertaining the intention of Congress. It is submitted, however, that where, as here, the language of the Act is clear and the Committee reports on the final bill enacted are explicit on the questions at issue, statements of witnesses on

a bill not enacted and not even reported are entitled to no weight and that therefore the court below properly relied upon the legislative history of the final bill enacted. The statements of Mr. DeVane, however, when studied in the light of the actual facts as to H. R. 11662, not only do not support petitioner's contentions, but actually leave no doubt that sales of gas in interstate commerce for resale, even when made, as here, in the producing field, were intended to come within the jurisdiction of the Commission.

B. *The sales in issue are sales for resale in interstate commerce.*—The record in the present case leaves not the slightest doubt that the sales of natural gas in issue are, contrary to petitioner's present contention, sales of natural gas in interstate commerce.

Prior to the decision of the court below affirming the Commission's order, petitioner made no contention that the sales were not sales in interstate commerce. It was only then, in the petition for rehearing, that the contention was introduced into the case.

Petitioner did not make this contention before the Commission. In oral argument there petitioner's attorney expressly stated that he was not contending that the sales to Mississippi were not in interstate commerce (R. I, 477). In its reply brief before the Commission, at page 18, petitioner expressly admitted that all the sales in dispute are in interstate commerce.

The Commission, in its opinion (R. I, 60), stated that petitioner did not "deny that the sales of natural gas to the three pipe line Companies constitute sales of natural gas in interstate commerce for resale," and cited *Interstate Natural Gas Co.* v. *Public Service Commission*, 33 F. Supp. 50; 34 F. Supp. 980 (E. D. La.). As was pointed out by the court below, petitioner in that case successfully contended in the Federal Court that the sales to the pipe line companies in question were sales in interstate commerce and beyond the reach of the State Commission.[12]

The Commission also found in finding (9) of its order of April 27, 1943 (R. I, 83) that the gas "sold and delivered to the purchasers named in finding (7)," (those here involved) "moves in each instance in a constant flow from the mouths of the wells from which it is produced through pipe lines belonging to Interstate to the compressor

[12] By order dated April 28, 1942, *In the Matter of Interstate Natural Gas Company, Inc.*, Docket No. G-218, the Commission found that petitioner's rate schedule FPC No. 15 was a rate schedule for a sale for resale in interstate commerce. This rate schedule (Exhibit No. 11) is for the sale of gas to United Gas Pipe Line Company with delivery at petitioner's DeSiard compressor station situated near Fowler, Louisiana, approximately 2 miles nearer the wells than the points where the sales now in issue take place. There is no material difference in the character of the sale to United Gas Pipe Line Company at DeSiard and the sale and delivery to the same company for account of Memphis at the Guthrie station and the latter is no more a part of "production or gathering" than the former.

station of the respective purchaser, and thence through said compressor stations into the pipe line of said respective purchaser and thus into and through states other than Louisiana as described in finding (8), all without interruption, and said gas is so destined from the moment of its production." The Commission further found in finding (10) of the order that "the transportation and the sale of natural gas as described in finding (7) is, in each instance, the transportation and sale in interstate commerce of natural gas for resale for ultimate public consumption for domestic, commercial, industrial and other uses". Petitioner does not now contend that these findings of fact are not based upon substantial evidence; they are, therefore, conclusive. Section 19 (b), Natural Gas Act, *infra*, p. 31.

Unquestionably, under a long line of decisions by this Court, the sales in issue are sales in interstate commerce. *United Fuel Gas Co.* v. *Hallanan*, 257 U. S. 277; *Missouri* v. *Kansas Gas Company*, 265 U. S. 298; *Public Utilities Commission* v. *Attleboro Steam & Electric Co.*, 273 U. S. 83; *Shafer* v. *Farmers Grain Co.*, 268 U. S. 189; *The Peoples Natural Gas Company* v. *Federal Power Commission*, 127 F. 2d 153, certiorari denied, 316 U. S. 700; *Illinois Gas Co.* v. *Public Service Co.* 314 U. S. 498; *Colorado-Wyoming Gas Company* v. *Federal Power Commission*, 324 U. S. 626; *Federal Power Commission* v. *Hope Natural Gas*

Company, 320 U. S. 591; *Jersey Central Power & Light Company* v. *Federal Power Commission*, 319 U. S. 61; *Hartford Electric Light Co.* v. *Federal Power Commission*, 131 F. 2d 953 (C. C. A. 2), certiorari denied, 319 U. S. 741; *Dahnke-Walker Milling Co.* v. *Bowdurant*, 257 U. S. 282; *Lemke* v. *Farmers Grain Co.*, 258 U. S. 50; *United States* v. *Reading Co.*, 226 U. S. 324. Cf. *State Tax Commission* v. *Interstate Natural Gas Co.*, 284 U. S. 41; *Wisconsin Public Service Corp.* v. *Federal Power Commission*, 147 F. 2d 743 (C. C. A. 7), certiorari denied, 325 U. S. 880; *Swift & Co.* v. *United States*, 196 U. S. 375, 398; *Stafford* v. *Wallace*, 258 U. S. 495, 516–19; *Hughes Bros. Co.* v. *Minnesota*, 272 U. S. 469, 474.

C. *The Commission's order does not result in confiscation.*—Petitioner's claim that the Commission's order results in confiscation so far as the sales to Mississippi, Southern Natural, and United, for account of Memphis, are concerned (Pet. 4) is limited to specific contentions that the rate of 4.66¢ per Mcf fixed by the Commission's order under review is less than the average price paid by petitioner for a portion of the purchased gas in the Monroe Field. Petitioner alleges that confiscation results therefrom even though the order as a whole provides a fair return upon the rate base determined on a depreciated original cost basis (Pet. 41).

Petitioner's claim of confiscation with respect to the rate reduction order of April 27, 1943, is

a dubious one for it has accepted that part of the order which fixed the same rate—which resulted in an increase—for the sales at the DeSiard compressor station to United for transportation and resale at New Orleans.[13] Since petitioner operates an integrated pipeline system in which both produced and purchased gas are commingled in varying mixtures and the commingled mixtures are sold both to the interstate pipe line companies here involved and to United for the New Orleans market, the present claim of confiscation would apply equally to the sales to United for resale at New Orleans. However, petitioner has made no such claims and has accepted the reduced rate of 4.66¢ per Mcf. as just, reasonable and fully compensatory as to the New Orleans sales, while urging confiscation as to similar sales to Mississippi, Southern Natural and Memphis.

The Commission found that petitioner's total cost (before allocation between jurisdictional and nonjurisdictional business) of exploration, producing, purchasing, gathering, transporting, delivering and selling natural gas in the Monroe Field was $2,430,152.44 and that the average cost (including rate of return at 6½%) of the 52,-

[13] The sale of natural gas to United for resale at New Orleans at 3.68¢ per Mcf. was less than the 4.66¢ per Mcf. cost of such gas including a 6½ percent return. Petitioner charged Mississippi 8.31¢ per Mcf., Southern Natural 6.19¢ per Mcf., and Memphis 8.37¢ per Mcf. for the same kind of gas and service.

163,657 Mcf. delivered by petitioner from its Monroe Field system was 4.66¢ per Mcf.

This cost of 4.66¢ per Mcf. is the average of a number of costs, including an average of 2.72¢ per Mcf. for gas produced, 3.61¢ per Mcf. for gas purchased at the wellhead, 5.49¢ per Mcf. for gas purchased at central points in the field (the full purchase price in both cases) and 1.36¢ per Mcf. for gathering and other costs.[14]

There is no basis for assuming that the gas sold to any purchaser is either wholly produced or wholly purchased gas. What is sold in every case is a commingled mixture of produced and

[14] The Commission, theoretically could have determined one sales price for gas produced by petitioner, a second and separate sales price for gas purchased at the wellhead and a third and separate sales price for gas purchased by petitioner at central points. Under such a theoretical price arrangement, gas produced by petitioner would be sold for 4.08¢ per Mcf. (2.72¢ plus 1.36¢), gas purchased at the wellhead by petitioner would be sold for 4.97¢ per Mcf., and gas purchased at central points by petitioner would be sold for 5.49¢ per Mcf. The average price paid for all gas by each of the three pipe line companies under such a three-price arrangement would be exactly the same as ordered by the Commission or 4.66¢ per Mcf., if the percentage of the gas delivered from each of the three sources to each of the three pipe line companies was the same. Since the percentage of gas delivered from the three sources to each of the three pipe line companies varies from day to day, and hour to hour, and is never known positively, an average price of 4.66¢ per Mcf. to all three customers for the commingled mixture of the gas from the three sources is the only practical pricing arrangement and gives petitioner the same total revenue as if the three-price arrangement were used.

purchased gas. Petitioner accepts the order as non-confiscatory as to New Orleans sales and desires at the same time to claim that it is confiscatory as to the present sales, which should not be permitted. Moreover, it should not be allowed to single out the portion of the commingled gas which it claims is purchased gas and claim the rate is confiscatory as to that although as applied to all gas, on an average basis, it is just and reasonable. In any event, it is clearly established by decisions of this Court that the rate reduction order must be "viewed in its entirety." "It is not theory but the impact of the rate order which counts. If the total effect of the rate order cannot be said to be unjust and unreasonable, judicial inquiry under the Act is at an end." *Federal Power Commission* v. *Hope Natural Gas Co.*, 320 U. S. 591, 602; *Panhandle Eastern Pipe Line Co.*, 324 U. S. 635, 649; *Cities Service Gas Company* v. *Federal Power Commission*, 155 F. 2d 694, 699, certiorari denied Nov. 12, 1946 (No. 556, this Term).

In ascertaining whether petitioner's rates were reasonable, the Commission used the same method of rate fixing in this case as was used in the *Hope, Panhandle, Canadian River* and *Cities Service* cases, *supra*. Here, as in those cases, the Commission allowed all taxes, depletion and depreciation, exploration and development costs and all other operating expenses, including the cost of production and the total cost of gas purchased.

CONCLUSION

The decision below is correct and fully accords with the applicable decisions of this Court, which we have cited. There is no conflict of decisions. We therefore respectfully submit that the petition for a writ of certiorari should be denied.

GEORGE T. WASHINGTON,
Acting Solicitor General.

BRADFORD ROSS,
General Counsel,
CHARLES E. MCGEE,
Assistant General Counsel,
LOUIS W. MCKERNAN,
Principal Attorney,
Federal Power Commission.

DECEMBER 1946.

APPENDIX A

The pertinent provisions of the Natural Gas Act of 1938, c. 556, 52 Stat. 821, 15 U. S. C. 717, *et seq.*, are as follows:

> SECTION 1. (a) As disclosed in reports of the Federal Trade Commission made pursuant to S. Res. 83 (Seventieth Congress, first session) and other reports made pursuant to the authority of Congress, it is hereby declared that the business of transporting and selling natural gas for ultimate distribution to the public is affected with a public interest, and that Federal regulation in matters relating to the transportation of natural gas and the sale thereof in interstate and foreign commerce is necessary in the public interest.
>
> (b) The provisions of this Act shall apply to the transportation of natural gas in interstate commerce, to the sale in interstate commerce of natural gas for resale for ultimate public consumption for domestic, commercial, industrial, or any other use, and to natural-gas companies engaged in such transportation or sale, but shall not apply to any other transportation or sale of natural gas or to the local distribution of natural gas or to the facilities used for such distribution or to the production or gathering of natural gas.
>
> * * * * *
>
> SEC. 4 (a) All rates and charges made, demanded, or received by any natural-gas company for or in connection with the transportation or sale of natural gas sub-

ject to the jurisdiction of the Commission, and all rules and regulations affecting or pertaining to such rates or charges, shall be just and reasonable, and any such rate or charge that is not just and reasonable is hereby declared to be unlawful.

(b) No natural-gas company shall, with respect to any transportation or sale of natural gas subject to the jurisdiction of the Commission, (1) make or grant any undue preference or advantage to any person or subject any person to any undue prejudice or disadvantage, or (2) maintain any unreasonable difference in rates, charges, service, facilities, or in any other respect, either as between localities or as between classes of service.

(c) Under such rules and regulations as the Commission may prescribe, every natural-gas company shall file with the Commission, within such time (not less than sixty days from the date this act takes effect) and in such form as the Commission may designate, and shall keep open in convenient form and place for public inspection, schedules showing all rates and charges for any transportation or sale subject to the jurisdiction of the Commission, and the classifications, practices, and regulations affecting such rates and charges, together with all contracts which in any manner affect or relate to such rates, charges, classifications, and services.

(d) Unless the Commission otherwise orders, no change shall be made by any natural-gas company in any such rate, charge, classification, or service, or in any rule, regulation, or contract relating thereto, except after thirty days' notice to the Commission and to the public. Such notice shall be given by filing with the

Commission and keeping open for public inspection new schedules stating plainly the change or changes to be made in the schedule or schedules then in force and the time when the change or changes will go into effect. The Commission, for good cause shown, may allow changes to take effect without requiring the thirty days' notice herein provided for by an order specifying the changes so to be made and the time when they shall take effect and the manner in which they shall be filed and published.

(e) Whenever any such new schedule is filed the Commission shall have authority, either upon complaint of any State, municipality, or State commission, or upon its own initiative without complaint, at once, and if it so orders, without answer or formal pleading by the natural-gas company, but upon reasonable notice, to enter upon a hearing concerning the lawfulness of such rate, charge, classification, or service; and, pending such hearing and the decision thereon, the Commission, upon filing with such schedules and delivering to the natural-gas company affected thereby a statement in writing of its reasons for such suspension, may suspend the operation of such schedule and defer the use of such rate, charge, classification, or service, but not for a longer period than five months beyond the time when it would otherwise go into effect: *Provided,* That the Commission shall not have authority to suspend the rate, charge, classification, or service for the sale of natural gas for resale for industrial use only, and after full hearings, either completed before or after the rate, charge, classification, or service goes into effect, the Commission may make such orders with reference

thereto as would be proper in a proceeding initiated after it had become effective. If the proceeding has not been concluded and an order made at the expiration of the suspension period, on motion of the natural-gas company making the filing, the proposed change of rate, charge, classification, or service shall go into effect. Where increased rates or charges are thus made effective, the Commission may, by order, require the natural-gas company to furnish a bond, to be approved by the Commission, to refund any amounts ordered by the Commission, to keep accurate accounts in detail of all amounts received by reason of such increase, specifying by whom and in whose behalf such amounts were paid, and, upon completion of the hearing and decision, to order such natural-gas company to refund, with interest, the portion of such increased rates or charges by its decision found not justified. At any hearing involving a rate or charge sought to be increased, the burden of proof to show that the increased rate or charge is just and reasonable shall be upon the natural-gas company, and the Commission shall give to the hearing and decision of such questions preference over other questions pending before it and decide the same as speedily as possible.

SEC. 5. (a) Whenever the Commission, after a hearing had upon its own motion or upon complaint of any State, municipality, State commission, or gas distributing company, shall find that any rate, charge, or classification demanded, observed, charged, or collected by any natural-gas company in connection with any transportation or sale of natural gas, subject to the jurisdiction of the Commission, or that any rule, regulation, practice, or

contract affecting such rate, charge, or classification is unjust, unreasonable, unduly discriminatory, or preferential, the Commission shall determine the just and reasonable rate, charge, classification, rule, regulation, practice, or contract to be thereafter observed and in force, and shall fix the same by order: *Provided, however,* That the Commission shall have no power to order any increase in any rate contained in the currently effective schedule of such natural gas company on file with the Commission, unless such increase is in accordance with a new schedule filed by such natural gas company; but the Commission may order a decrease where existing rates are unjust, unduly discriminatory, preferential, otherwise unlawful, or are not the lowest reasonable rates.

(b) The Commission upon its own motion, or upon the request of any State commission, whenever it can do so without prejudice to the efficient and proper conduct of its affairs, may investigate and determine the cost of the production or transportation of natural gas by a natural-gas company in cases where the Commission has no authority to establish a rate governing the transportation or sale of such natural gas.

SEC. 6. (a) The Commission may investigate and ascertain the actual legitimate cost of the property of every natural-gas company, the depreciation therein, and, when found necessary for rate-making purposes, other facts which bear on the determination of such cost or depreciation and the fair value of such property.

(b) Every natural-gas company upon request shall file with the Commission an

inventory of all or any part of its property and a statement of the original cost thereof, and shall keep the Commission informed regarding the cost of all additions, betterments, extensions, and new construction.

* * * * *

SEC. 9. (a) The Commission may, after hearing, require natural-gas companies to carry proper and adequate depreciation and amortization accounts in accordance with such rules, regulations, and forms of account as the Commission may prescribe. The Commission may from time to time ascertain and determine, and by order fix, the proper and adequate rates of depreciation and amortization of the several classes of property of each natural-gas company used or useful in the production, transportation, or sale of natural gas. Each natural-gas company shall conform its depreciation and amortization accounts to the rates so ascertained, determined, and fixed. No natural-gas company subject to the jurisdiction of the Commission shall charge to operating expenses any depreciation or amortization charges on classes of property other than those prescribed by the Commission, or charge with respect to any class of property a percentage of depreciation or amortization other than that prescribed therefor by the Commission. No such natural-gas company shall in any case include in any form under its operating or other expenses any depreciation, amortization, or other charge or expenditure included elsewhere as a depreciation or amortization charge or otherwise under its operating or other expenses. Nothing in this section shall limit the power of a State commission to determine in the exercise of its

jurisdiction, with respect to any natural-gas company, the percentage rates of depreciation or amortization to be allowed, as to any class of property of such natural-gas company, or the composite depreciation or amortization rate, for the purpose of determining rates or charges.

(b) The Commission, before prescribing any rules or requirements as to accounts, records, or memoranda, or as to depreciation or amortization rates, shall notify each State commission having jurisdiction with respect to any natural-gas company involved and shall give reasonable opportunity to each such commission to present its views and shall receive and consider such views and recommendations.

* * * * *

SEC. 14. (a) The Commission may investigate any facts, conditions, practices, or matters which it may find necessary or proper in order to determine whether any person has violated or is about to violate any provision of this act or any rule, regulation, or order thereunder, or to aid in the enforcement of the provisions of this act or in prescribing rules or regulations thereunder, or in obtaining information to serve as a basis for recommending further legislation to the Congress. The Commission may permit any person to file with it a statement in writing, under oath or otherwise, as it shall determine, as to any or all facts and circumstances concerning a matter which may be the subject of investigation. The Commission, in its discretion, may publish in the manner authorized by section 312 of the Federal Power Act, and make available to State commissions and municipalities, information concerning any such matter.

(b) The Commission may, after hearing, determine the adequacy or inadequacy of the gas reserves held or controlled by any natural-gas company, or by anyone on its behalf, including its owned or leased properties, or royalty contracts; and may also, after hearing, determine the propriety and reasonableness of the inclusion in operating expenses, capital, or surplus of all delay rentals or other forms of rental or compensation for unoperated lands and leases. For the purpose of such determinations, the Commission may require any natural-gas company to file with the Commission true copies of all its lease and royalty agreements with respect to such gas reserves.

* * * * *

SEC. 16. The Commission shall have power to perform any and all acts, and to prescribe, issue, make, amend, and rescind such orders, rules, and regulations as it may find necessary or appropriate to carry out the provisions of this Act. Among other things, such rules and regulations may define accounting, technical, and trade terms used in this Act; and may prescribe the form or forms of all statements, declarations, applications, and reports to be filed with the Commission, the information which they shall contain, and the time within which they shall be filed. Unless a different date is specified therein, rules and regulations of the Commission shall be effective thirty days after publication in the manner which the Commission shall prescribe. Orders of the Commission shall be effective on the date and in the manner which the Commission shall prescribe. For the purposes of its rules and regulations, the Commission may classify persons and

matters within its jurisdiction and prescribe different requirements for different classes of persons or matters. All rules and regulations of the Commission shall be filed with its secretary and shall be kept open in convenient form for public inspection and examination during reasonable business hours.

* * * * *

SEC. 19. (a) Any person, State, municipality, or State commission aggrieved by an order issued by the Commission in a proceeding under this Act to which such person, State, municipality, or State commission is a party may apply for a rehearing within thirty days after the issuance of such order. The application for rehearing shall set forth specifically the ground or grounds upon which such application is based. Upon such application the Commission shall have power to grant or deny rehearing or to abrogate or modify its order without further hearing. Unless the Commission acts upon the application for rehearing within thirty days after it is filed, such application may be deemed to have been denied. No proceeding to review any order of the Commission shall be brought by any person unless such person shall have made application to the Commission for a rehearing thereon.

(b) Any party to a proceeding under this Act aggrieved by an order issued by the Commission in such proceeding may obtain a review of such order in the circuit court of appeals of the United States for any circuit wherein the natural-gas company to which the order relates is located or has its principal place of business, or in the United States Court of Appeals for the

District of Columbia, by filing in such court, within sixty days after the order of the Commission upon the application for rehearing, a written petition praying that the order of the Commission be modified or set aside in whole or in part. A copy of such petition shall forthwith be served upon any member of the Commission and thereupon the Commission shall certify and file with the court a transcript of the record upon which the order complained of was entered. Upon the filing of such transcript such court shall have exclusive jurisdiction to affirm, modify, or set aside such order in whole or in part. No objection to the order of the Commission shall be considered by the court unless such objection shall have been urged before the Commission in the application for rehearing unless there is reasonable ground for failure so to do. The finding of the Commission as to the facts, if supported by substantial evidence, shall be conclusive. If any party shall apply to the court for leave to adduce additional evidence, and shall show to the satisfaction of the court that such additional evidence is material and that there were reasonable grounds for failure to adduce such evidence in the proceedings before the Commission, the court may order such additional evidence to be taken before the Commission and to be adduced upon the hearing in such manner and upon such terms and conditions as to the court may seem proper. The Commission may modify its findings as to the facts by reason of the additional evidence so taken, and it shall file with the court such modified or new findings, which, if supported by substantial evidence, shall be conclusive, and

its recommendation, if any, for the modification or setting aside of the original order. The judgment and decree of the court, affirming, modifying, or setting aside, in whole or in part, any such order of the Commission, shall be final, subject to review by the Supreme Court of the United States upon certiorari or certification as provided in sections 239 and 240 of the Judicial Code, as amended (U. S. C., title 28, secs. 346 and 347).

(c) The filing of an application for rehearing under subsection (a) shall not, unless specifically ordered by the Commission, operate as a stay of the Commission's order. The commencement of proceedings under subsection (b) of this section shall not, unless specifically ordered by the court, operate as a stay of the Commission's order.

U. S. GOVERNMENT PRINTING OFFICE: 1946

FILE COPY

No. 733

In the Supreme Court of the United States

OCTOBER TERM, 1946

INTERSTATE NATURAL GAS COMPANY, INCORPORATED, A CORPORATION, PETITIONER

v.

FEDERAL POWER COMMISSION, LOUISIANA PUBLIC SERVICE COMMISSION, CITY OF NEW ORLEANS, LOUISIANA, AND CITY OF BATON ROUGE, LOUISIANA

ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE FIFTH CIRCUIT

BRIEF FOR THE FEDERAL POWER COMMISSION

INDEX

	Page
Opinions below	1
Jurisdiction	1
Questions presented	2
Statute involved	3
Statement	3
Summary of argument	16
Argument	19
I. The sales here involved were in interstate commerce	20
II. The sales here involved are not exempt from regulation by the Commission as "production and gathering of natural gas"	26
A. The Commission's finding that petitioner transported the gas here involved after gathering supports the Commission's jurisdiction over the sales in question	29
B. Irrespective of transportation, the sales here involved were made after the completion of gathering and, hence, the exemption is inapplicable in the circumstances of this case	33
Conclusion	46

CITATIONS

Cases:

Caminol Company v. *United States*, 41 F. Supp. 819	31
Colorado-Interstate Company v. *Federal Power Commission*, 324 U. S. 581	26
Currin v. *Wallace*, 306 U. S. 1	21, 24
Federal Trade Commission v. *Bunte Brothers*, 312 U. S. 349	23
Hartford Electric Light Company v. *Federal Power Commission*, 131 F. 2d 953, certiorari denied, 319 U. S. 741	27
Henderson Development Company v. *United Fuel Gas Corporation*, 3 S. E. 2d 217	31
Illinois Natural Gas Company v. *Central Illinois Public Service Co.*, 314 U. S. 498	20, 22
Interstate Natural Gas Co. v. *Louisiana Public Service Commission*, 33 F. Supp. 50, 34 F. Supp. 980	19, 25
In the Matter of Billings Company, Ohio Oil Company, and *Mountain Fuel Supply Company*, 2 F. P. C. 228, 35 P. U. R. (N. S.) 321	41
In the Matter of Columbian Fuel Corporation, 2 F. P. C. 200, 35 P. U. R. (N. S.) 3	34, 40, 41
Jersey Central Power & Light Company v. *Federal Power Commission*, 319 U. S. 61	20

740724—47——1

Cases—Continued	Page
McLeod v. *Threlkeld*, 319 U. S. 491	22
Missouri v. *Kansas Natural Gas Company*, 265 U. S. 298	23, 36
Mulford v. *Smith*, 307 U. S. 38	21
Peoples Natural Gas Company v. *Federal Power Commission*, 2 F. P. C. 1017, 127 F. 2d 153, certiorari denied, 316 U. S. 700	22, 23, 42
Public Utilities Commission v. *Attleboro Steam & Electric Company*, 273 U. S. 83	23, 36, 40
Sunshine Anthracite Coal Company v. *Adkins*, 310 U. S. 381	21
Statutes:	
Louisiana Acts 1944, No. 132, § 1	31
Natural Gas Act of 1938, C. 556, 52 Stat. 821, 15 U. S. C. 717 et seq:	
Sec. 1	17
Sec. 2	4
Sec. 5	3
Sec. 19	30
Miscellaneous:	
Congressional Record, Vol. 81, pp. 9312, 9313	38
Hearings before House Committee on Interstate and Foreign Commerce on H. R. 11662, 74th Cong., 2d Sess.	34
Hearings before House Committee on Interstate and Foreign Commerce on H. R. 4008, 75th Cong., 1st Sess.	34
House Report, No. 709, 75th Cong., 1st Sess.	20, 22, 37, 38
H. R. 4008, 75th Cong., 1st Sess.	36
H. R. 5711, 75th Cong., 1st Sess.	36
H. R. 6586, 75th Cong., 1st Sess.	36
S. 1919, 75th Cong., 1st Sess.	36
Senate Report, No. 1162, 75th Cong., 1st Sess.	37
Utility Corporations, Federal Trade Commission Report, 70th Cong., 1st Sess., S. Doc. 92, Part 84-A	34
Webster's New International Dictionary, 2d Ed. (1939)	30, 31

In the Supreme Court of the United States

OCTOBER TERM, 1946

No. 733

INTERSTATE NATURAL GAS COMPANY, INCORPORATED, A CORPORATION, PETITIONER

v.

FEDERAL POWER COMMISSION, LOUISIANA PUBLIC SERVICE COMMISSION, CITY OF NEW ORLEANS, LOUISIANA, AND CITY OF BATON ROUGE, LOUISIANA

ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE FIFTH CIRCUIT

BRIEF FOR THE FEDERAL POWER COMMISSION

OPINIONS BELOW

The opinion of the Circuit Court of Appeals (R. II, 910–927) is reported at 156 F. 2d 949. The opinion and order of the Federal Power Commission (R. I, 55–86) are reported in 48 P. U. R. (N. S.) 267.

JURISDICTION

The judgment of the Circuit Court of Appeals was entered August 3, 1946 (R. II, 928). A peti-

tion for rehearing was denied October 1, 1946 (R. II, 948). The petition for a writ of certiorari which was filed November 30, 1946, was first denied on January 6, 1947, but later granted on February 10, 1947, limited however to questions numbered 1, 2 and 3 of the petition (R. II, 950). Jurisdiction of this Court rests upon Section 19 (b) of the Natural Gas Act, and Section 240 (a) of the Judicial Code, as amended by the Act of February 13, 1925.

QUESTIONS PRESENTED

Petitioner, a natural-gas company subject to the Natural Gas Act, makes sales of natural gas for resale to interstate pipeline companies for transportation and ultimate consumption outside the state of origin. After such gas, which is both produced and purchased by petitioner, has been commingled, and after physical gathering has been completed, the gas is transported in trunk pipelines by the gas company to the point of delivery to the purchasers.[1]

The questions are:

(1) Whether such sales are "sales in interstate commerce" within the meaning of Sections 1 and 2 (7) of the Natural Gas Act.

[1] The questions stated in the petition for certiorari do not correctly state the issues, since they assume that the natural gas sold is delivered from the field gathering system and sold to the pipeline companies before interstate commerce begins, and omit to state that the gas is transported in interstate commerce by petitioner after gathering and before sale to the pipeline companies.

(2) Whether such sales are exempt from the jurisdiction of the Federal Power Commission by reason of the language of Section 1 (b) of the Natural Gas Act to the effect that its provisions shall not apply to the production or gathering of natural gas.

STATUTE INVOLVED

The pertinent provisions of the Natural Gas Act (Act of June 21, 1938, c. 556, 52 Stat. 821, 15 U. S. C. 717 *et seq.*) may be found in a pamphlet copy of the Act submitted with this brief.

STATEMENT

The proceedings before the Commission arose out of a complaint filed under Section 5 (a) of the Natural Gas Act by the Louisiana Public Service Commission alleging that the rates charged by petitioner for natural gas sold in interstate commerce for resale for ultimate public consumption were unjust and unreasonable and requesting an investigation and the fixing of fair and reasonable rates. Petitioner filed an answer to this complaint denying the jurisdiction of the Commission; the answer alleged, *inter alia*, that there was pending undecided before the United States District Court for the Eastern District of Louisiana a suit filed by petitioner to enjoin the Louisiana Public Service Commission from enforcing an order subjecting petitioner's rates to its jurisdiction, wherein peti-

tioner contended that they were rates for sales in interstate commerce not subject to State regulation (R. I, 36–43). The Commission on December 5, 1939, on its own motion, instituted a general investigation of all interstate wholesale rates and charges of petitioner (R. I, 50–52). The complaint proceeding and the general investigation were consolidated (R. I, 52). The City of New Orleans and the City of Baton Rouge, Louisiana, participated as interveners.

After hearing, the Commission, on April 27, 1943, issued its opinion and order (R. I, 57–86, 48 P. U. R. (N. S.) 267, 3 F. P. C. 416) finding (1) that petitioner was a natural-gas company within the meaning of Section 2 (6) of the Natural Gas Act (R. I, 58, 82), (2) that its sales of natural gas to Mississippi River Fuel Corporation (hereinafter referred to as Mississippi) at the latter's compressor station near Perryville, Louisiana (R. I, 82), to Southern Natural Gas Company at the latter's compressor station, also near Perryville, Louisiana (R. I, 82), and to United Gas Pipe Line Company for the account of Memphis Natural Gas Company at Memphis' compressor station near Guthrie, Louisiana (R. I, 83), were sales of natural gas in interstate commerce for resale for ultimate public consumption for domestic, commercial, and other uses within the meaning of Section 1 (b) of the Natural Gas Act, (3) that petitioner trans-

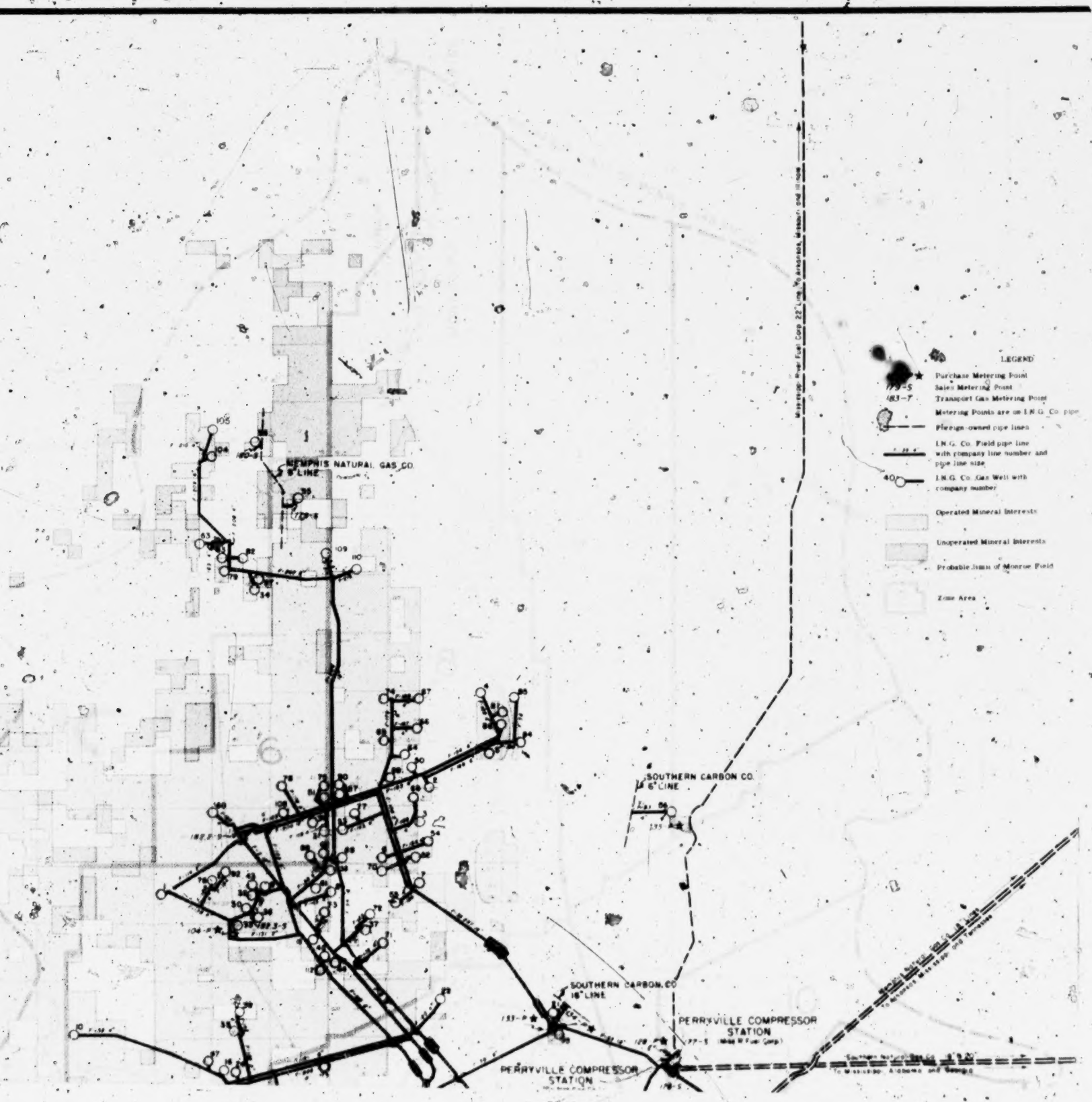
ported commingled gas, which had first been gathered, to the points of sale and delivery to the aforesaid purchasing pipeline companies (R. I, 60, 82), and (4) that its interstate wholesale rates were excessive and should be reduced on and after May 15, 1943, by the amount of $1,100,345 as applied to the volume of gas sold in the test year 1941 (R. I, 80, 86).

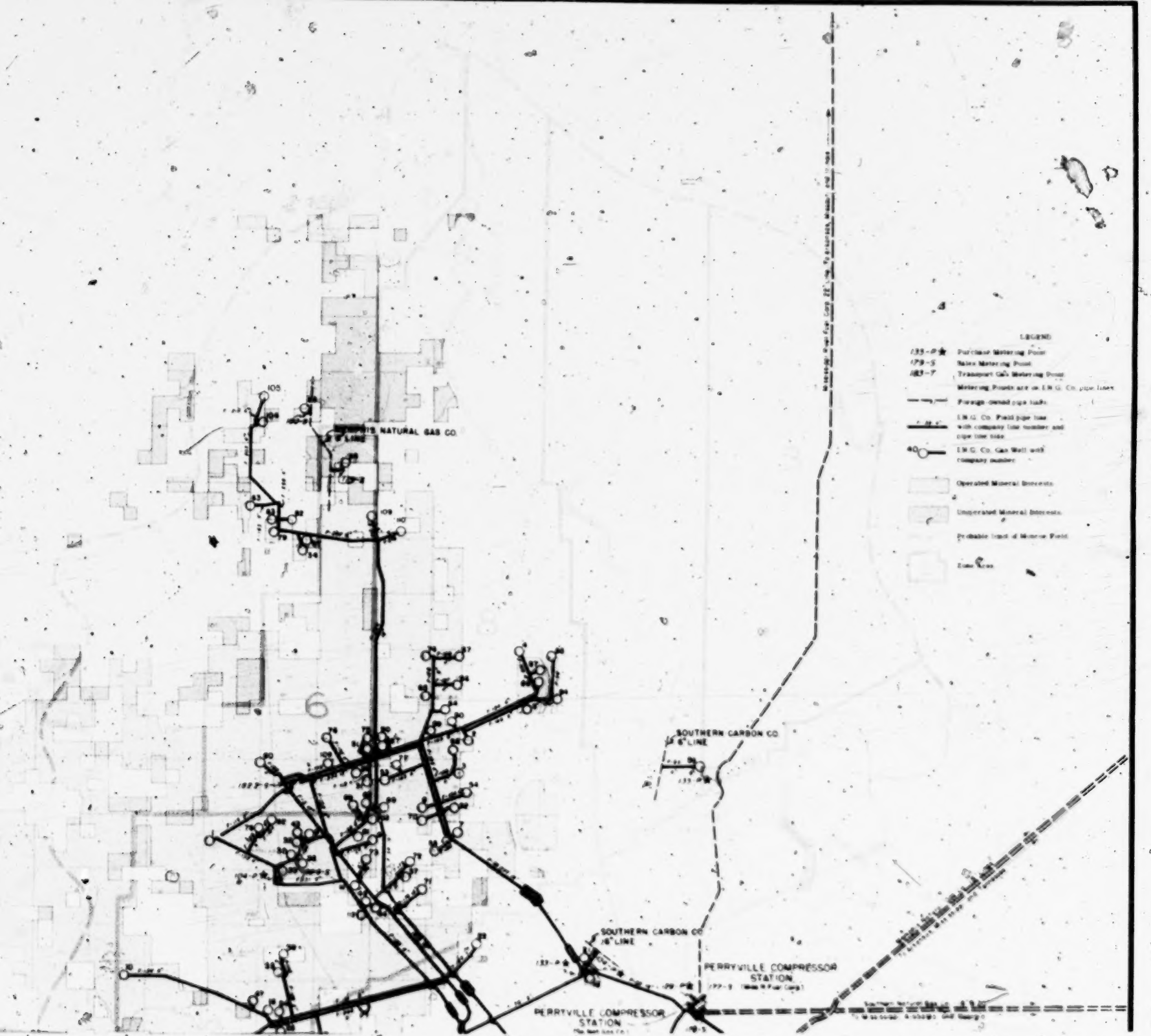
Petitioner appealed so much of the order of the Commission reducing rates as pertained to the sales in interstate commerce for resale made to Mississippi (R. I, 82), Southern Natural (R. I, 82), and United Gas (R. I, 83), which the Commission had held excessive in the amount of $596,320 per year. The issues in this proceeding involve petitioner's sales of gas to the three companies above named and, by stipulation and the order granting certiorari, are limited to the jurisdictional questions above stated.

On May 13, 1943, petitioner applied for rehearing of the Commission's order (R. I, 93–100) and, on June 9, 1943, the petition for rehearing was denied (R. I, 100–102).

The Circuit Court of Appeals for the Fifth Circuit on August 3, 1946, affirmed the Commission's order (R. II, 910–928), Judge Waller dissenting.[2] Petitions for rehearing filed by petitioner and by

[2] By order of the Circuit Court of Appeals dated June 14, 1943 (R. I, 20–22), the Commission's order of April 27, 1943, reducing rates, as modified, was stayed pending decision and the revenues collected by Interstate in excess of the prescribed rates impounded.


LEGEND
Purchase Metering Point
Sales Metering Point
Transport Gas Metering Point
Metering Points are on I.N.G. Co. pipe
Foreign-owned pipe lines
I.N.G. Co. Field pipe line with company line number and pipe line size
I.N.G. Co. Gas Well with company number
Operated Mineral Interests
Unoperated Mineral Interests
Probable limits of Monroe Field
Zone Area
MEMPHIS NATURAL GAS CO. 8" LINE
SOUTHERN CARBON CO. 6" LINE
SOUTHERN CARBON CO. 16" LINE
PERRYVILLE COMPRESSOR STATION
PERRYVILLE COMPRESSOR STATION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SOUTHERN CARBON CO. 6" LINE
PERRYVILLE COMPRESSOR STATION
PERRYVILLE COMPRESSOR STATION

TO ST LOUIS, MO

F-33

F-1A

MISSISSIPPI RIVER FUEL CORP

F-33B

F-33A

SOUTHERN NATURAL GAS COMPANY

TO ATLANTA, GA

T-9

TO BATON ROUGE

TO MEMPHIS, TENN

F-1

MEMPHIS NATURAL GAS COMPANY

F-43

Line F-33, transports gas which has been gathered by Interstate from a group of wells in the northern high pressure area of the field.

Southern Natural Gas Company Perryville Compressor Station. Interstate sells gas at this point to Southern Natural.

Line F-43, transports gas which has been gathered by Interstate from a group of wells in the western low and intermediate pressure area of the field.

Independent Natural Gas Association, *amicus curiae* (R. II, 930, 939), supported by briefs filed on behalf of the State of Texas and certain producing interests as *amici curiae*, were denied on October 1, 1946 (R. II, 948).

The relevant facts as to petitioner's operations are as follows:

Petitioner owns and operates 110 natural gas producing wells in the Monroe Field, Louisiana, and also purchases large quantities of gas from producers in the same field after the gas has been gathered by such producers (R. I, 191, 192; R. II, 612, 613, 615, 618). In addition, petitioner purchases a small volume of gas from certain producers directly at the wellhead in the case of certain isolated wells (R. I, 191–192). The gas purchased in the test year 1941 by petitioner in the Monroe Field amounts to 22,839,985 Mcf., and the amount of gas produced by it amounts to 28,819,814 Mcf. (Ex. 49, R. II, 612, 613, 615, 618, 621, 622, 646, 651, 652; R. I, 26–32). Of the gas purchased, about 95% or 21,688,275 Mcf. was gathered by the producers before it was sold and delivered to petitioner (R. I, 191–192; Exh. 49, R. II, 601, 646). The volume of gas sold to the three pipe line companies, Mississippi, Southern Natural, and United (for account of Memphis) in 1941 was 21, 863, 278 Mcf. (R. II, 651, 827, line 7; cf. R. II, 639).

Petitioner itself transports from the field about 60% of the gas by interstate pipeline, thereby be-

coming a natural-gas company subject to the jurisdiction of the Commission independently of the transactions here involved.

The points of delivery of the purchased gas to petitioner with the amounts delivered are as follows:[3]

(1) Hope Producing Company delivered 4,262,048 Mcf. which was measured at meter points 160–P and 161–P (R. II, 612). These metering points lie west of the De Siard Compressor Station and are on an eight-inch line laid by Hope in 1940. This gas normally is delivered into F–1 (R. II, 576) although it could flow into line F–44 or through the De Siard Compressor Station into line T–1. Such gas is completely gathered before delivery to petitioner (R. I, 191–192).

(2) Southern Carbon delivered 4,304,363 Mcf. at meter point 128–P (R. II, 615). This gas was completely gathered by Southern Carbon prior to delivery to petitioner (R. I, 191–192). Meter point 128–P lies at the north end of line F–1 near the Perryville Compressor Station. The gas delivered at this point goes into the north end of the 16-inch line F–1.

(3) United Carbon Company delivered 3,327,492 Mcf. at meter point 136–P, and 5,633,879 Mcf. at meter point 137–P (R. II, 618). Meter point 136–P is at Cargas on the east side of line

[3] References are to maps Appendices A and B to this brief (Ex. 49, R. II, 608).

740724—47——2

F–1, a mile or so from the northern end. Gas does not now enter F–1 at this point (R. I, 185–186). Meter point 137–P lies some distance east of the De Siard Compressor Station and the gas delivered at that point is transported through the 12-inch line F–13 to De Siard and then via line F–2 into the compressor station or into line F–1 via F–45 or into F–44. At the present this gas normally flows into line F–1 (R. II, 575). The above deliveries of gas by United Carbon are made after the gas has been completely gathered by it (R. I, 191–192).

Of the gas produced by petitioner a very large portion of the high pressure gas is located in the northern portion of the field and is transported through line F–33 into transmission line T–9 (R. II, 574). None of this gas is sold to the three purchasing pipe lines, Mississippi, Southern Natural and United for account of Memphis. Most of the gas produced by petitioner which is sold to these three pipe line companies accordingly comes from the western and southern part of the field. It is evident from Appendices A and B that this gas first passes through a series of gathering lines and then into trunk lines such as F–59 (16″), F–3 (12″), F–51 (10″), F–4 (8″), and F–5 (6″ and 8″), before it passes into the main trunk lines F–1 and F–44.

The maps show that the gas purchased and produced by petitioner moves forward in a den-

dritic pattern from branch lines into trunk lines such as F–59, F–3, F–51, F–2, F–5, F–13, F–4 and F–33 and the main trunk lines F–1 (16") and F–44 (12") (R. II, 610).* All of the gas except that delivered by Southern Carbon at meter point 128–P comes to the premises of the De Siard Compressor Station of petitioner, passing there into petitioner's line F–1 for transportation through that line and F–33A for about 4 miles to the points of delivery to Mississippi and Southern Natural at Perryville, Louisiana, or through lines F–44 and F–43 for about 2 miles to the point of delivery to United for account of Memphis near Guthrie, Louisiana (R. I, 140–142, 474–476; R. II, 577–580, 608–609). The deliveries by Southern Carbon Company noted above at meter point 128–P near the Perryville station enter F–1 at its north end from which the gas is delivered through F–1 to Mississippi and Southern Natural.

At the De Siard station some gas is immediately transported south through Transmission line T–1—thus indicating that the gathering process is complete when the gas reaches that station (R. I, 190). Most of the gas here involved moves north

* Petitioner, at page 21 of its brief, refers to the fact that a trunk line is to a pipe line system what the main line is to a railroad, with the gathering system comparable to the spurs and sidings and the pump stations to the motive power. In view of the pattern of delivery of gas by petitioner, the analogy adopted in the petitioner's brief is particularly applicable to its operations.

from the De Siard station to the delivery points of the three purchasing pipelines.

Mississippi.—The gas purchased by Mississippi is first transported through petitioner's line F–1 and then into a branch line F–33A, located near Perryville at which point delivery of the gas at natural field pressure is made to Mississippi at the inlet side of Mississippi's meters at its compressor station. See F. P. C. Rate Schedule No. 4, Exh. 9, Tr. 1227. Mississippi then compresses the gas and further transports it through its 22-inch interstate pipeline from Perryville, Louisiana, to points of delivery and sale in Arkansas, Missouri and Illinois. See Exh. 42, pp. 18–19 (R. II, 564, 577–578); Exh. 5, (R. II, 554); Exh. 45 (R. II, 600); Exh. 49 (R. II, 608, 611, 619); (R. I, 142); and maps, Appendices A and B to this brief.

Southern Natural.—Petitioner transports the gas sold to Southern Natural through its line F–1 as above stated and then through its branch line F–33A, which is less than a mile in length, and thereupon sells and delivers the gas to Southern Natural at the outlet side of petitioner's meters at Southern Natural's Perryville Compressor Station. See F. P. C. Rate Schedule No. 24, Exh. 10, Tr. 1297. The gas is sold and delivered by petitioner at natural field pressure, Southern Natural then compresses the gas and further transports it through its interstate

pipeline from Perryville, Louisiana, to points of delivery and sale in Mississippi, Alabama and Georgia (Exh. 42, pp. 20–21, R. II, 564, 578–579; Exh. 6, R. II, 554; Exh. 45, R. II, 600; Exh. 49, pp. 5–7, R. II, 608, 611, 619; R. I. 142).

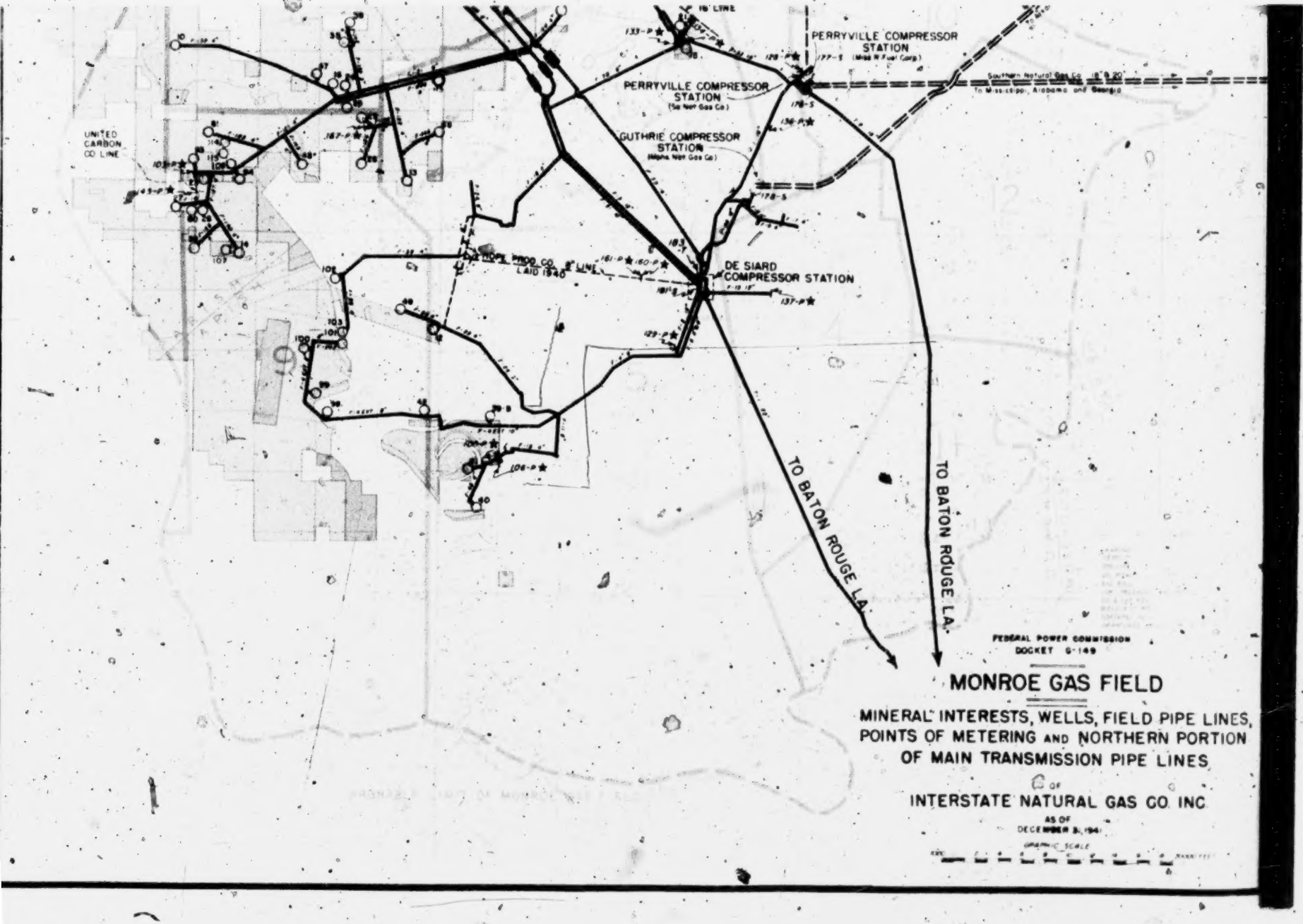
United for Memphis.—Petitioner transports the gas sold to United, for Memphis through its lines F–44 and F–1 and makes delivery of such gas at Memphis compressor station at Guthrie, Louisiana. Actual delivery of the gas is made via the short line F–43, connected with petitioner's line F–1 through line F–9 and also connected to F–44. The sale and delivery is made at the outlet side of petitioner's meters. See F. P. C. Rate Schedule No. 6, Exh. 12, Tr. 1519. Memphis thereupon compresses the gas and further transports it from Guthrie, Louisiana to points of delivery and sale along its main pipeline in Arkansas, Mississippi and Tennessee (Exh. 42, p. 22, R. II, 564, 579–580; Exh. 6, R. II, 554; Exh. 45, R. II, 600; Exh. 49, pp. 5–7, R. II, 608, 611, 619; R. I, 142).

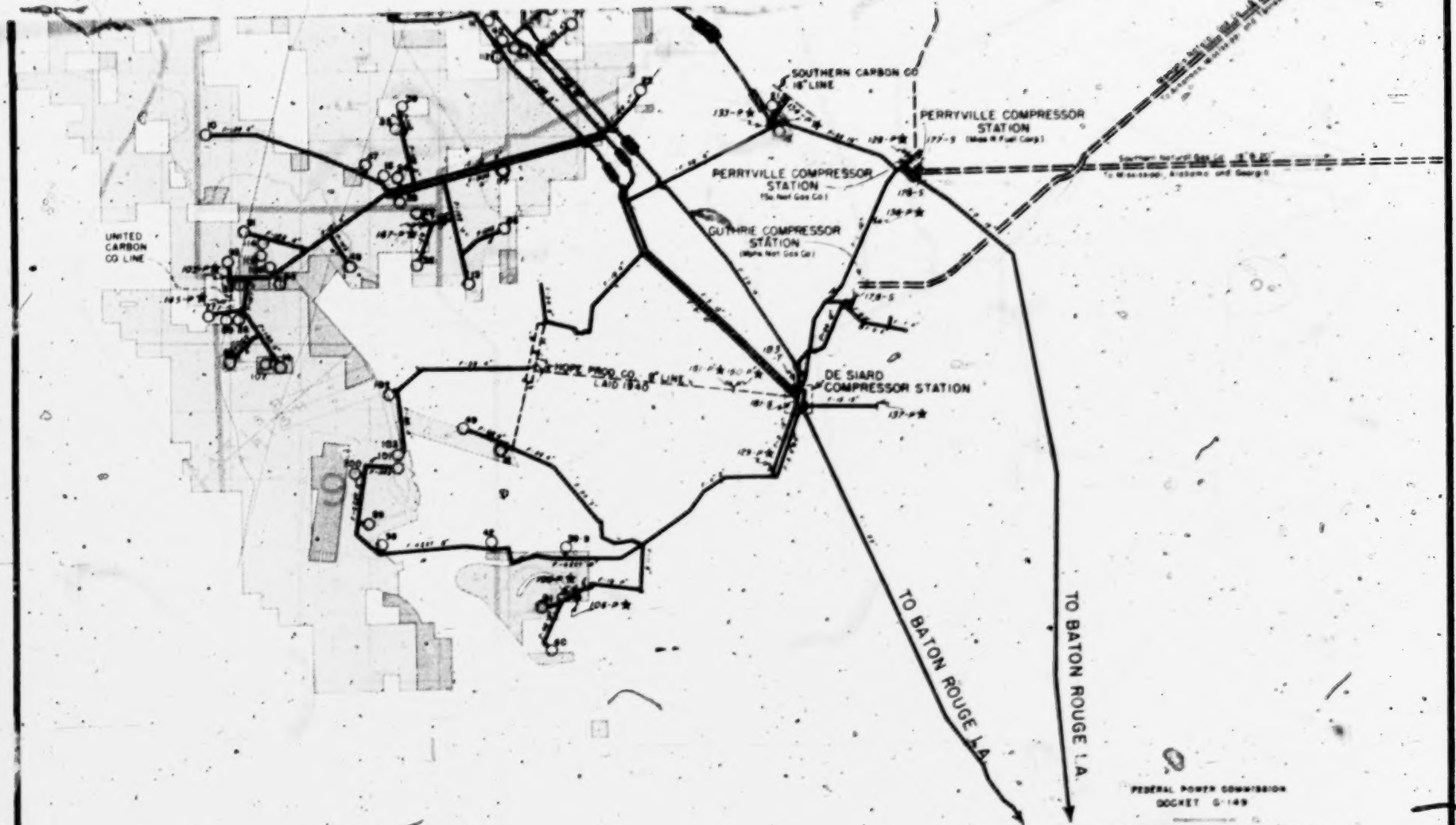
Affiliation Between Petitioner and Purchasing Pipeline Companies.—The Commission found that Mississippi was an affiliate of Interstate because Standard Oil Company (N. J.) owned 22.5% of the stock in Mississippi (R. I, 250) and 53.97% of Interstate (R. I, 254; R. II, 706, 723), and because Mr. Frank H. Lerch, Jr., a Standard Oil Company (N. J.) man (R. I, 241, 242), is presi-

dent of Interstate (R. I, 242) as well as president and director of Mississippi (R. I, 245, 247) and president of Hope Producing Co., which is 100% owned by Standard Oil (R. I, 261). He also is president of Gas Companies, Inc. (R. I, 242, 263), which is controlled by three wholly owned subsidiaries of Standard (R. I, 260). Gas Companies, Inc., looks after the services, financial, budget and kindred matters of Mississippi (R. I, 263), and the main control ledgers of Mississippi are kept in Gas Company, Inc.'s New York Office (R. I, 263). An employee of Gas Companies, Inc. is treasurer and another assistant secretary of Mississippi (R. I, 263). Gas Companies, Inc. exercises, for Standard, similar control over Interstate and all the other companies controlled by Standard (N. J. [redacted] I, 263).

United Gas Pipe Lines Co. is 100% owned by United Gas Corporation, its parent holding company, which is part of the Electric Bond & Share system (R. I, 274, 275, 424, 425). United Gas Corporation owns 47% of the stock of Mississippi and is by far the largest stockholder of that company (R. I, 425). Both United Gas companies are thereby closely affiliated with Interstate, Hope Producing, Columbian Carbon and United Carbon, which also own stock in Mississippi (R. I, 250), as well as with Mississippi itself. United Gas also owns Union Producing, one of the large producers in the field (R. I, 425; R. II, 834–836).

There is also close affiliation between Interstate, Mississippi, United, and other producing companies in the Monroe Field, which together own 77% of the acreage in the Monroe Field (R. I, 425, 446, 480) through a producers' syndicate agreement known as the Stipulation and Plan for Natural Gas Pipe Line to the St. Louis District, dated July 26, 1928, and the Supplemental Syndicate Agreement, dated December 17, 1928 (R. II, 833–846). The Stipulation states that the producers in the Monroe Field, including Standard (by which is meant Interstate and Hope), Columbian Carbon, United Carbon, Electric Bond & Share and Moody Seagraves plan a natural gas pipeline to the St. Louis district to market gas from the Monroe or Richland gas fields in Louisiana. The pipeline was to be operated by a corporation known as Mississippi Valley Gas Corporation (R. II, 834), whose requirements were to be supplied by the syndicate members in percentages roughly parallel to the percentages of investment and producing acreage owned (R. II, 834–836). The Supplemental Syndicate Agreement makes Mississippi River Fuel Corporation the pipeline company (R. II, 846), with the percentages of the total investment (R. II, 843) corresponding with the stock ownership in Mississippi (R. I, 412). Of the producing companies, Columbian Carbon has a stock interest of 15.53% in Interstate (R. I, 252, 254; R. II, 706), and Southern Carbon,


PERRYVILLE COMPRESSOR STATION
(Miss River Fuel Corp.)
PERRYVILLE COMPRESSOR STATION
(Sohio Nat Gas Co.)
GUTHRIE COMPRESSOR STATION
(Alpha Nat Gas Co.)
DE SIARD COMPRESSOR STATION
Southern Natural Gas Co. 18" & 20"
To Mississippi, Alabama and Georgia
UNITED CARBON CO. LINE
TO BATON ROUGE LA.
TO BATON ROUGE LA.
FEDERAL POWER COMMISSION
DOCKET G-149
MONROE GAS FIELD
MINERAL INTERESTS, WELLS, FIELD PIPE LINES, POINTS OF METERING AND NORTHERN PORTION OF MAIN TRANSMISSION PIPE LINES
OF
INTERSTATE NATURAL GAS CO. INC.
AS OF
DECEMBER 3, 1941
GRAPHIC SCALE



FEDERAL POWER COMMISSION
DOCKET G-149

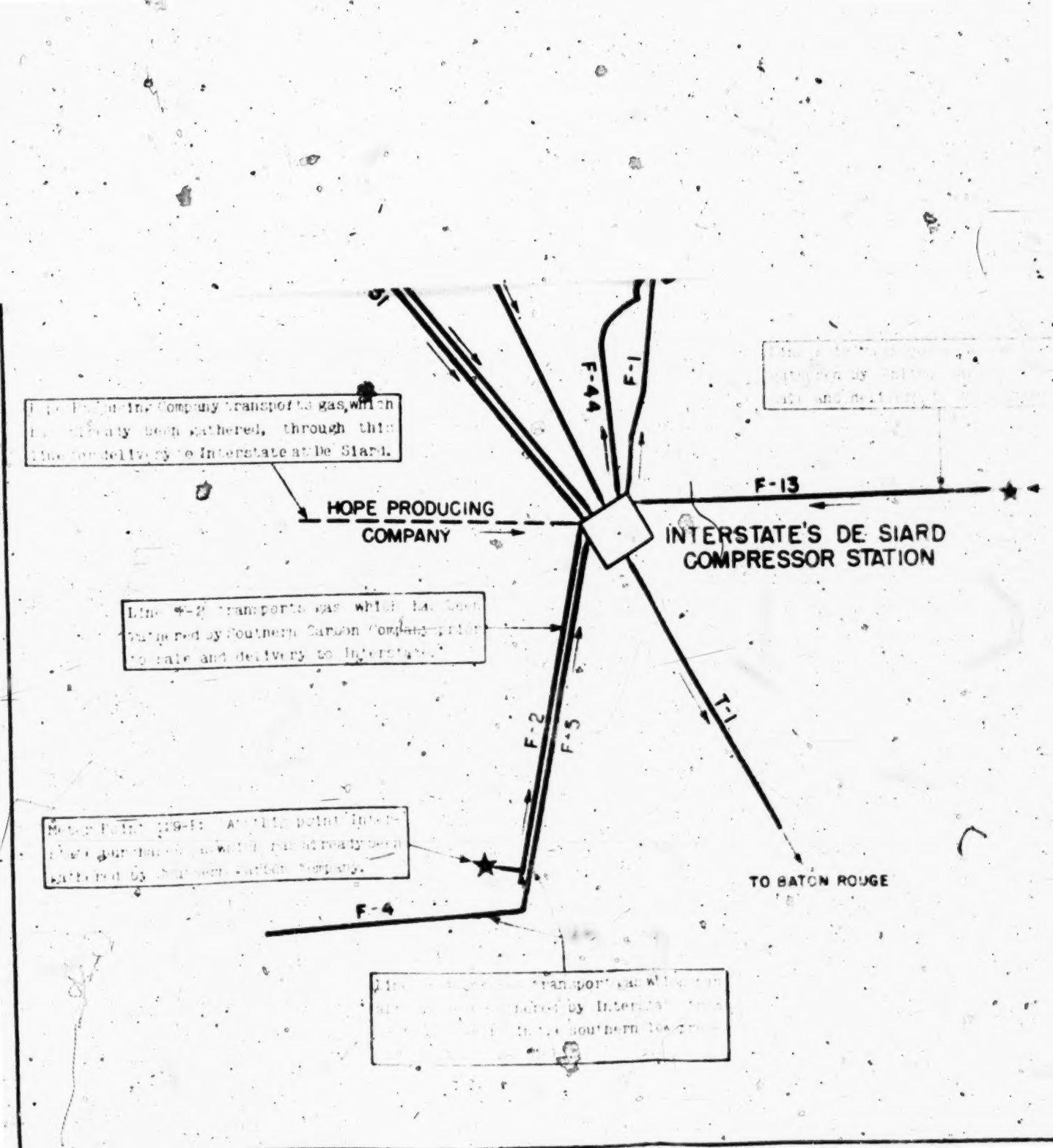
MONROE GAS FIELD

MINERAL INTERESTS, WELLS, FIELD PIPE LINES, POINTS OF METERING AND NORTHERN PORTION OF MAIN TRANSMISSION PIPE LINES

OF

INTERSTATE NATURAL GAS CO INC

AS OF


F-44
F-1
F-13
HOPE PRODUCING
COMPANY
INTERSTATE'S DE SIARD
COMPRESSOR STATION
F-2
F-3
T-1
TO BATON ROUGE
F-4

FEDERAL POWER COMMISSION

DOCKET NO. G-149

PIPE LINES OF INTERSTATE NATURAL GAS CO. IN MONROE GAS FIELD.

LEGEND

DIRECTION OF GAS FLOW

INTERSTATE NATURAL GAS CO. PIPE LINES

PIPE LINES OF OTHERS

SCALE

1/2 0 1/2 1 MILE

which sells gas to Interstate, is a subsidiary of Columbian Carbon and United Carbon (R. I, 413; R. II, 413, 563).

This affiliation was further made effective by the agreements for apportionment of field production among the controlling producers in the contracts for supply of the pipeline companies, such as the three pipeline companies whose purchases from petitioner are here in issue (R. I, 416; R. II, 794). According to Mr. Lerch, President of Interstate, Mississippi and Hope (R. I, 411), the percentages of the producers' shares in supplying Mississippi, United for account of Memphis, and Southern Natural has always followed roughly the percentages of investment and acreage owned (R. I, 415, 416, 418, 479, 480).

There is also affiliation through a dispatching pool in the Monroe Field composed of Interstate, Hope, United Gas Pipe Line (same as Union Producing), Southern Carbon, and United Carbon (R. I, 259). This pool provides a central point where information as to deliveries, etc., might be gathered and the producers would all know how they stood in total with respect to quotas, etc. (R. I, 259, 493).

The Commission's findings establish that a large portion of the gas sold by petitioner was gas purchased by it, that the "production" and "gathering" of such gas was completed at the time of such purchase by petitioner, and that the gas was thereafter transported by petitioner prior

to sale to Mississippi, Southern Natural and United; and that as to gas produced by Interstate, "production" and "gathering" were also completed prior to the sales to the three purchasing companies as there was an interval of transportation by Interstate prior to such sales. The Commission found (R. I, 60):

> A large portion of the gas, sold by Interstate in northern Louisiana to the three pipe line companies mentioned above, is purchased and received by Interstate from other companies operating in the Monroe field, which first gather and tronsport the gas to specified central delivery points for sale to Interstate. Interstate transports the gas which it buys from such companies in the Monroe field and commingles that gas with gas which it has produced and gathered in the Monroe field, and then transports this commingled gas to the points of sale and delivery in Louisiana to the Mississippi River Fuel Corporation, Southern Natural Gas Company, and United Gas Pipe Line Company for the account of Memphis Natural Gas Company. This gas transported and sold by Interstate to these three pipe line Companies continues its flow in interstate commerce and, as an established course of business well known to Interstate, is destined for resale for ultimate public consumption in Memphis, St. Louis, Birmingham, Atlanta, and other markets outside Louisiana.

The Commission further found in finding (9) that the gas "sold and delivered to the purchasers named in finding (7)," (those here involved) "moves in each instant in a constant flow from the mouths of the wells from which it is produced through pipe lines belonging to Interstate to the compressor station of the respective purchaser, and thence through said compressor stations into the pipe line of said respective purchaser and thus into and through states other than Louisiana as described in finding (8), all without interruption, and said gas is so destined from the moment of its production" (R. I, 83).

SUMMARY OF ARGUMENT

Petitioner has heretofore successfully brought suit to enjoin the State from prescribing the rates for the sales here involved on the ground that they were interstate, and this case is the second half of petitioner's program to free these sales from all regulation whatsoever by State or nation.

I

Contrary to petitioner's contention, made for the first time in its petition for rehearing in the court below, the sales here involved, although occurring in the state of origin of the gas, were in interstate commerce. These sales were for direct and immediate transportation outside of the state, and the decisions of this Court establish conclu-

sively that such sales are a part of interstate commerce. This Court has already declared "interstate commerce" in the Gas Act to have the meaning defined by the Court before the adoption of the Act, and there is nothing in the history of the Natural Gas Act suggesting that the phrase "sale in interstate commerce" was to have a narrower meaning than that given it by this Court in numerous types of situations.

II

The transactions here involved are not included within the phrase "production and gathering of natural gas," which is exempted from the Commission's jurisdiction by Section 1 (b) of the Natural Gas Act.

A. The Commission found that petitioner was engaged in transporting gas prior to the sales to the pipeline companies—that is, at least from the premises of its De Siard station and thence northerly in main trunk lines F–1 and F–44, and related lines F–43 and F–33A. The term gathering, the trade or technical meaning of which is basically the same as its usual or popular meaning, relates to the collecting of the gas from various wells and bringing it into one place. It is clear from the facts that the gathering of the gas here involved was completed when it reached the premises of petitioner's De Siard station, and even earlier as to gas purchased from other producers

who themselves had first gathered it. Hence it was transported in interstate commerce after gathering to the points of delivery to the three purchasing companies. Such transportation after gathering is clearly not exempt from the statute.

B. Irrespective of whether the transportation to the point of sales occurred after gathering, the sales themselves were made after the completion of gathering. At the point of delivery to the three pipeline companies the gathering is clearly completed. The purpose of the Natural Gas Act as shown by its legislative history was to bridge the gap created by this Court's decisions holding that the states could not regulate wholesale sales of natural gas in interstate commerce. The Commission has, however, never sought to extend its jurisdiction over the sales of natural gas made by independent producers and gatherers, but only over sales made by one otherwise a natural-gas company or where affiliation between seller and purchaser is involved or where there is transportation in interstate commerce by the seller after completion of gathering prior to the wholesale sale. Petitioner is otherwise a natural-gas company, is affiliated with a purchasing natural-gas company and transports the gas in interstate commerce prior to sale. Over such sales Congress intended there should be regulation in the national interest.

The briefs submitted on behalf of the States of Oklahoma and Texas indicate that these states are

more concerned about what they fear the Commission might do than when it has done. The contention that the decision below repeals state statutes and stifles the power of the states to conserve their oil and gas resources is clearly unfounded since the Commission does not claim authority to set the maximum price at which independent producers in these states may sell their natural gas. This the Commission has tried to make clear in various official statements it has issued.

ARGUMENT

The Natural Gas Act applies to the "sale in interstate commerce of natural gas for resale for ultimate public consumption" but not "to the production or gathering of natural gas." Section 1 (b). Petitioners here contend (1) that the sales in question are not sales in interstate commerce within the meaning of the Gas Act, and (2) that the sales are exempt from the Act as part of production and gathering.

It is to be noted preliminarily that this case is the second half of petitioner's program to free the sales here involved from all regulation whatsoever by State or Nation. Petitioner had heretofore successfully brought suit to enjoin Louisiana from prescribing the rates for such sales.[5] Petitioner's contention in that case was that the

[5] *Interstate Natural Gas Co. v. Louisiana Pub. Serv. Comm.*, 34 F. Supp. 980 (E. D. La.). See pp. 24–26, *infra*.

sales were *interstate* and beyond the jurisdiction of the State of Louisiana. This case thus exemplifies precisely the hiatus in regulatory power which the Natural Gas Act was intended to fill. (See H. Rept. No. 709, 75th Cong., pp. 1–3, quoted in *Illinois Gas Co.* v. *Central Illinois Public Service Co.*, 314 U. S. 498, 506–07).

I

THE SALES HERE INVOLVED WERE IN INTERSTATE COMMERCE

Although petitioner conceded before the Commission (R. 60) that the sales in question were in interstate commerce, it now argues the contrary.* We think that petitioner was right the first time.

It is unnecessary for present purposes to determine the precise point at which interstate commerce in gas, which flows continually from the well to its destination, begins. Cf. *Illinois Natural Gas Co.* v. *Central Illinois Pub. Serv. Co.*, 314 U. S. 498; *Jersey Central P. & L. Co.* v. *Federal Power Commission*, 319 U. S. 61. For this case is concerned only with regulation of the sales to three pipeline companies for the direct and immediate transportation outside the state. The de-

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* In the Circuit Court of Appeals petitioner did not challenge the Commission's decision on this issue prior to the filing of the petition for rehearing (R. 932). The present contention, moreover, was not urged before the Commission, and, as a matter of fact, admissions to the contrary were made. See pp. 3–4, *supra*, pp. 24–25, *infra*. Cf. section 19 (b).

cisions of this Court establish conclusively that sales to persons for immediate interstate shipment are a part of interstate commerce. *Currin* v. *Wallace*, 306 U. S. 1, 10 and cases cited; *Mulford* v. *Smith*, 307 U. S. 38, 47–48; *Sunshine Anthracite Coal Co.* v. *Adkins*, 310 U. S. 381. In the *Currin* case (p. 10) this Court stated:

> * * * So far as the sales are for shipment to other States or to foreign countries, it is idle to contend that they are not sales in interstate or foreign commerce and subject to congressional regulation. Where goods are purchased in one State for transportation to another the commerce includes the purchase quite as much as it does the transportation. *Swift & Co.* v. *United States*, 196 U. S. 375, 398, 399; *Dahnke-Walker Milling Co.* v. *Bondurant*, 257 U. S. 282, 290, 291; *Lemke* v. *Farmers Grain Co.*, 258 U. S. 50, 54; *Stafford* v. *Wallace*, 258 U. S. 495, 519; *Flanagan* v. *Federal Coal Co.*, 267 U. S. 222, 225; *Shafer* v. *Farmers Grain Co.*, 268 U. S. 189, 198; *Foster-Fountain Packing Co.* v. *Haydel*, 278 U. S. 1, 10.

Unless the phrase "sale in interstate commerce" in the Gas Act was intended to have other than its ordinary and well established meaning, there can be no question that the sales here involved are in interstate commerce. This Court has already declared that interstate commerce in the Gas Act was to have the meaning "defined by this

Court, before the adoption of the Act." *Illinois Gas Co.* v. *Central Illinois Pub. Serv. Co.*, 314 U. S. 498, 508. And although the meaning of "interstate commerce" may conceivably vary in different statutes (*McLeod* v. *Threlkeld*, 319 U. S. 491, 493), nothing in the history of the Gas Act suggests that the phrase "sale in interstate commerce" was intended to have a narrower meaning than that expression had repeatedly been given by this Court in numerous types of situations. A strong burden must rest on the party endeavoring to maintain such a proposition. On the contrary the Act was designed to provide federal regulation for sales which this Court has held to be immune from state regulation because they were sales in interstate commerce. See H. Rept. No. 709, 75th Cong., 1st Sess., pp. 1–3.

In *Peoples Natural Gas Co.* v. *Federal Power Commission*, 127 F. 2d 153 (App. D. C.), certiorari denied, 316 U. S. 700, which involved the same question as the instant case, the court stated (p. 158):

> It is true that in recent years the Court has widened its view of what "affects" interstate commerce and supports federal regulation, and also its view of what state interferences with interstate commerce are permissible in the absence of federal regulation. But it does not follow, as appellants appear to assume, that either Congress or the Court has narrowed its view of what is "in" interstate commerce.

Petitioner relies on *Federal Trade Commission* v. *Bunte Bros.*, 312 U. S. 349, for a narrow interpretation of interstate commerce. But the *Bunte Bros.* case held only that the phrase "in interstate commerce" in the Federal Trade Commission Act was not broad enough to include practices affecting but not in such commerce. It did not hold that "interstate commerce" was to be given less than its normal breadth.

The Independent Natural Gas Association of America and other *amici curiae* in their brief in support of the petition for writ of certiorari attempt to distinguish the cases relied upon by the Circuit Court of Appeals as a basis for its decision on this point, namely, *Missouri* v. *Kansas Natural Gas Co.*, 265 U. S. 298; *Public Utilities Commission* v. *Attleboro Steam & Electric Co.*, 273 U. S. 83; *Peoples Natural Gas Co.* v. *Federal Power Commission*, 127 F. 2d 153, certiorari denied, 316 U. S. 700. They claim that the sales in issue are not sales in interstate commerce because they are made wholly within one state, that the *Kansas Natural Gas Company* case is to be distinguished because the natural-gas company there was a *single* interstate enterprise and operation, that the *Attleboro* case is to be distinguished on a ground of affiliated interstate enterprise and operation, and that the *Peoples* case is likewise to be distinguished on the ground of affiliation of Peoples and the purchasing pipe line company.

Whether or not these three cases are distinguishable, the principle that sales for interstate transportation are interstate commerce is not dependent upon them—nor upon the fact of affiliation between seller and buyer. There was no affiliation in *Currin* v. *Wallace* or the other cases cited *supra,* p. 21. Moreover in this case, if affiliation were relevant, the evidence indicates that petitioner was affiliated with at least two of the three purchasing companies. See pp. 11–14, *supra.*

We have already referred to the fact that when seeking to avoid regulation by Louisiana, petitioner had urged the District Court in a prior case to hold that the sales here in issue were in interstate commerce. Its petition in that case averred "that 99⅔% of the gas sold" by it "is sold in interstate commerce, and that the other ⅓ of 1% is sold and delivered at wholesale at taps on its pipe line to local distributing companies"; "that said sales of gas so made by your petitioner are transactions in interstate commerce" and that the contracts of sale "provide for and contemplate that said gas shall be sold and delivered as a part of and in furtherance of the interstate activity of said purchasers and of petitioner; that said gas is produced by petitioner, transported, marketed and delivered in interstate commerce; that the same moves in a constant uninterrupted, and continuous flow from the mouths of the wells from which it is produced through pipe lines belonging to your petitioner to

the compressor stations, above set forth, thence without any interruption or without at any time ever coming to rest into and through the aforesaid compressor stations and through and into states other than Louisiana; that said gas is purchased by the aforesaid purchasers for the purpose of being transported out of the State of Louisiana and into and through other states, and that said gas is so destined from the moment of its production." (R. II, 849, 859.)

On the basis of these allegations the District Court had held that since almost all of petitioner's business was in interstate commerce Louisiana could not regulate it. *Interstate Natural Gas Co.* v. *Louisiana Pub. Serv. Commission,* 34 F. Supp. 980 (E. D. La.)

With respect to petitioner's change of position on this point the Circuit Court of Appeals in this case appropriately declared (R. II, 917–918):

> * * * It is conceded that Interstate is a natural gas company engaged in interstate transportation and sale, and it is further established that it, in *Interstate Natural Gas Co.* v. *Public Service Comm.,* 33 Fed. Supp. 50, 34 Fed. Supp. 980, successfully contended in the Federal Court that sales to the pipelines in question were sales in interstate commerce and beyond the reach of the State Commission. This is not to say that its success in so contending would estop it from claiming the contrary here or

that the decision it obtained there is controlling here. It is to say though that the position it took and the decision it obtained give force and color to the avowed purpose of the Natural Gas Act as House and Senate Committees stated it, and that it seems clear to us that it would be difficult to find a case falling more clearly within both the purpose and the language of the act.

II

THE SALES HERE INVOLVED ARE NOT EXEMPT FROM REGULATION BY THE COMMISSION AS "PRODUCTION AND GATHERING OF NATURAL GAS"

Even though the type of sale in issue is in interstate commerce, it would not come within the Act if it were included within the phrase "production and gathering of natural gas." The transactions here involved do not come within this exemption because they occurred after production and gathering were completed. The crucial word is "gathering," since the process of production had unquestionably been completed before the sales here in question.

This Court pointed out in *Colorado Interstate Company* v. *Federal Power Commission*, 324 U. S. 581, where a natural gas company was questioning the propriety of fixing its rates on a rate base which included its production and gathering facilities (324 U. S. at 598, 602–603):

> * * * Transportation and sale do not include production and gathering. * * *

> * * * We must read § 1 (b) in the context of the whole Act. It must be reconciled with the explicit provisions which describe the normal conventions of rate-making.
>
> That does not mean that the part of § 1 (b) which provides that the Act shall not apply "to the production or gathering of natural gas" is given no meaning. Certainly that provision precludes the Commission from any control over the activity of producing or gathering natural gas. For example, it makes plain that the Commission has no control over the drilling and spacing of wells and the like. It may put other limitations on the Commission. * * *

In *Hartford Electric Light Company* v. *Federal Power Commission*, 131 F. 2d 953, 962, certiorari denied, 319 U. S. 741, the Circuit Court of Appeals for the Second Circuit, said, of Section 201 (b) of the Federal Power Act, a clause similar to Section 1 (b):

> Regarding the "but" clause as an exception, and keeping in mind the obvious purpose of Congress, disclosed in the legislative history, to see to it that there was effective regulation of interstate wholesale sales of electric energy, we consider as pertinent the "elementary rule requiring that exceptions from a general policy which a law embodies should be strictly construed

* * *." *Spokane & Inland R. R.* v. *United States,* 241 U. S. 344, 348, 350, 36 S. Ct. 668, 671, 60 L. Ed. 1037; cf. *Piedmont & Northern Ry.* v. *I. C. C.,* 286 U. S. 299, 311, 312, 52 S. Ct. 541, 76 L. Ed. 1115; *United States* v *McElvain,* 272 U. S. 633, 639, 47 S. Ct. 219, 71 L. Ed. 451.

We note that the Natural Gas Act, U. S. C. A., Title 15 § 717 (b) provides that the Act shall apply to the "transportation" of natural gas "in interstate commerce" or to the "sale in interstate commerce of natural gas for resale"; the same sentence contains a "but" clause reading: "but *shall not apply* * * * to the local distribution of natural gas or to *the* * * * *production or gathering of natural gas.*" Yet in *The Peoples Natural Gas Co.* v. *Federal Power Commission, supra,* a company engaged in production of natural gas, but not in its interstate transportation, was held to be subject to the Act because, in the State of Pennsylvania, it sold gas to another company which transported the gas to another state for resale.

The Commission submits that the exemption from its jurisdiction of production and gathering of natural gas is here inapplicable. This is so, because, as the Commission found in its opinion, petitioner was engaged in the transportation of the gas prior to the sales here involved, and hence the gathering must necessarily have been completed prior thereto. There accordingly is no basis for the application of the exemption relied

on by petitioner. This ground alone, the Commission believes, is sufficient to support its jurisdiction over the sales here involved.

A. THE COMMISSION'S FINDING THAT PETITIONER TRANSPORTED THE GAS HERE INVOLVED AFTER GATHERING SUPPORTS THE COMMISSION'S JURISDICTION OVER THE SALES IN QUESTION

The Commission found that petitioner was engaged in transporting gas prior to the sales to the pipeline companies—that is, at least from the premises of the De Siard station and then northerly in main trunk lines F–1 and F–44, and related lines F–43 and F–33A. The Commission's opinion states (R. 60):

> A large portion of the gas, sold by Interstate in northern Louisiana to the three pipe line companies mentioned above, is purchased and received by Interstate from other companies operating in the Monroe field, which *first gather* and transport the gas to specified central delivery points for sale to Interstate. Interstate transports the gas which it buys from such companies in the Monroe field and commingles that gas with gas which it has *produced and gathered* in the Monroe field, and then transports this commingled gas to the points of sale and delivery in Louisiana to the Mississippi River Fuel Corporation, Southern Natural Gas Company, and United Gas Pipe Line Company for the account of Memphis Natural Gas Company. This gas transported and sold by Interstate to these three pipe line companies continues its flow

> in interstate commerce and, as an established course of business well known to Interstate, is destined for resale for ultimate public consumption in Memphis, St. Louis, Birmingham, Atlanta, and other markets outside Louisiana. [Italics supplied.]

In its order, directing petitioner to reduce rates, the Commission found (R. 82–83):

> (7) Interstate, as an established course of business, is engaged in the transportation, sale and delivery of natural gas purchased, produced and gathered in Monroe Field, Louisiana, to Mississippi River Fuel Corporation and Southern Natural Gas Company at a point near Perryville in the State of Louisiana, and to United Gas Pipe Line Company for the account of Memphis Natural Gas Company at a point near Guthrie in the State of Louisiana.

And it repeated the substance of this finding, that the petitioner was engaged in transporting the gas here involved after it had been gathered but prior to the sale to the purchasers in findings (8), (9) and (10) (R. 83).[7]

[7] Petitioner did not specifically allege in its Petition for Rehearing before the Commission or in its Petition for Review that the evidence supporting these findings of the Commission was not substantial. Cf. Section 19 (b). Nor has petitioner in the Circuit Court of Appeals or in this Court made any showing that these findings are not supported by substantial evidence. On the contrary, petitioner had admitted facts establishing that the findings are correct. See pages 6, 9, 22–23, 28–29 of this brief.

The term "gathering," around the meaning of which term petitioner's argument revolves, relates to the collecting of the gas from various wells and bringing it into one place. Webster's new International Dictionary, 2nd Edition (1939) so defines the word,[8] and the trade or technical meaning of the term, many versions of which petitioner sets out in its brief (pp. 15–23), is basically the same as its usual or popular meaning.[9]

In light of this meaning of gathering, it is clear that the gathering of the gas here involved was completed at least when it reached the premises of petitioner's De Siard Compressor Station, from which it was transported within the meaning of the Natural Gas Act to the points of delivery to the three purchasing companies.

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[8] Cf. *Henderson Development Co.* v. *United Fuel Gas Co.*, 3 S. E. 2d 217 (W. Va.), where the definition is quoted in the same connection. Cf. definition in Louisiana Acts 1944, No. 132, § 1.

In the Monroe Field, line F–1 (See Appendices A and B) is, as was admitted by William A. Dougherty, attorney for petitioner, "a header or reservoir." R. 467. The moment the gas enters the "header" it has certainly been "gathered."

[9] The tax cases cited by petitioner (pp. 16–19), though not in conflict with the above, are cases involving the production and gathering of crude oil which is wholly dissimilar from the producing and gathering of natural gas, since the process of gathering of the crude oil is characterized by the gathering of the crude oil into storage tanks or tank farms prior to transportation "a clear interruption of movement between the gathering and the transporting." *Caminol* v. *United States*, 41 F. Supp. 819, 821 (S. D. Calif.).

Actually, 21,688,275 Mcf. or about 95% of the total amount of gas purchased by petitioner has been completely gathered by the sellers prior to delivery to petitioner. The purchased gas, which is received at various points in the field, is transported by petitioner to De Siard, except the gas purchased from Southern Carbon at meter point 128–P.[10] See pp. 6–8, *supra*. All the gas sold to the three pipeline companies (except for that delivered by Southern Carbon at meter point 128–P) is brought to the premises of the De Siard Station before being transported to the point of delivery to the three purchasing companies. See pp. 6–11, *supra*.

Although the gathering of much of the gas would seem to have been completed prior to its arrival at that point, it is evident that gathering

[10] The only instances where the purchased gas has not already geen gathered prior to delivery to petitioner, are gas from certain isolated wells, namely, Bond 1, U. S. A. Well, Howard Well (How. Sawyer near Rocky Branch), 1 Union Carbon Company Well, Stovall, Stevenson No. 1 and Louisiana Gas Lands. Except for this gas, all the gas purchases by petitioner in the Monroe Field were of gas already gathered prior to sale and delivery to petitioner (R. I, 191–192). Included in the latter class were all the purchases made by petitioner from Southern Carbon Company, United Carbon Company and Hope Producing.

Of the gas produced by petitioner a very large portion of the high pressure gas is located in the northern portion of the field and is transported through line F–33 into transmission line T–9 (R. II, 574). None of this gas is sold to the three purchasing pipe lines, Mississippi, Southern Natural and United for account of Memphis.

has been completed at least at the De Siard Station. Indeed, petitioner has admitted (R. 190) that insofar as the gas which moves south from the De Siard Compressor Station through petitioner's T–1 line to Baton Rouge and other points of sale is concerned, the gathering of the gas is completed. No good reason appears for distinguishing the gas moving north to the points of delivery to the three purchasing companies, and for finding that the gathering of that gas has not similarly been completed at De Siard station and the transportation there begun. Consequently, the subsequent carriage of the gas through petitioner's line F–1 and F–33–A for about four miles to the points of delivery to Mississippi and Southern Natural at Perryville, Louisiana, or through lines F–44 and F–43 for about 2 miles to the point of delivery to United for account of Memphis near Guthrie, Louisiana, (R. I, 140–142, 474–476; II, 577–580, 608–609) is clearly transportation after gathering, and the finding of the Commission that there was transportation of the gas within the meaning of the Act prior to the sales is supported by ample evidence.

B. IRRESPECTIVE OF TRANSPORTATION, THE SALES HERE INVOLVED WERE MADE AFTER THE COMPLETION OF GATHERING, AND, HENCE, THE EXEMPTION IS INAPPLICABLE IN THE CIRCUMSTANCES OF THIS CASE.

Petitioner apparently concedes (Br. 44) that the function of gathering ends when interstate trunk line transportation begins, that is, at the point where petitioner delivers the gas to the

three purchasing companies. Even assuming *arguendo* that such is the present case, the Commission submits that in the circumstances of the present case it nevertheless has jurisdiction.

The Commission recognizes that the legislative history of the Act indicates that the gathering rates are intended to be exempt if the transaction is at arm's-length.[11] From this, the Commission assumes that where a sale is made at arm's-length by one who is engaged in production and gathering exclusive of transportation and is not otherwise a natural gas company, and the sale is closely connected with and a part of local gathering, it is exempt as "production and gathering of natural gas." As the Commission stated in the *Columbian Fuel Corporation* case, (2 F. P. C. 200, 207–208, 35 P. U. R. (N. S.) 3, 10):

> The companies to be subjected to regulation were conceived of as "pipe line" companies, and it was assumed that production and gathering would enter the field of regulation only to the extent that the "pipe line" companies, either directly or through affiliates, controlled the production or gathering of the gas so transported.
>
> * * * * *

[11] Hearings before House Committee on Interstate and Foreign Commerce on H. R. 11662, 74th Cong., 2 Sess., pp. 16, 42–43, 51, 53, 55, 57. Hearings before House Committee on Interstate and Foreign Commerce on H. R. 4008, 75th Cong., 1st Sess., pp. 39, 69, 70. Utility Corporations, Federal Trade Commission Report, 70th Cong., 1st Sess. Senate Doc. 92, Part 84–A, pp. 55–56, 79–80, 85–86.

> We conclude, therefore, that it was not the intention of Congress to subject to regulation under the Natural Gas Act all persons whose only sales of natural gas in interstate commerce, as in this case, are made as an incident to and immediately upon completion of such person's production and gathering of said natural gas and who are not otherwise subject to the jurisdiction of this Commission.
>
> Further experience with the administration of the Natural Gas Act may reveal that the initial sales of large quantities of natural gas which eventually flows in interstate commerce are by producing or gathering companies which, through affiliation, field agreement, or dominant position in a field, are able to maintain an unreasonable price despite the appearance of competition.

However, the Commission in the present case has exercised jurisdiction not over such local transactions made by a producer engaged exclusively in production and gathering and not otherwise a natural gas company, but over sales at points following the completion of gathering by an admitted natural gas company, which is affiliated with two of the three purchasing pipe line companies. Such sales, the Commission submits, are not within the exemption relied on by the petitioner and they are subject to the Commission's jurisdiction. At the point of delivery to the three pipe line companies the gathering is clearly completed. None of the many authorities bearing on

the meaning of gathering referred to in petitioner's brief suggests that such sales are covered by the word "gathering."

The primary purpose of the enactment of the Natural Gas Act, as shown by its legislative history, was to regulate interstate transportation and sale of natural gas in interstate commerce for resale, which, this Court had held (*Public Utilities Commission* v. *Attleboro Steam & Electric Co.*, 273 U. S. 83 (1927); *Missouri* v. *Kansas Natural Gas Co.*, 265 U. S. 298 (1923)), were not subject to state regulation; the purpose was not to regulate directly matters in the intrastate sphere, such as the conservation of natural gas, dependent upon the local regulation of production and gathering.

H. R. 6586, the bill which became the Natural Gas Act, was introduced by Representative Lea in the House on April 22, 1937,[12] and on April 28, 1937 it was committed to the Committee of the Whole House on the State of the Union and ordered to be printed. This bill contains a subsection 1 (b), identical with subsection 1 (b) in

[12] Several other bills were introduced in 1937, prior to H. R. 6586, but they are without significance as to the question of interpretation here in issue, except that H. R. 4008 was the original form of H. R. 6586. H. R. 4008, 75th Cong., 1st Sess., introduced in the House by Representative Lea, January 29, 1937; H. R. 5711, 75th Cong., 1st Sess., introduced in the House by Representative Crosser, March 17, 1937; S. 1919, 75th Cong., 1st Sess., introduced by Senator Brown in the Senate, March 17, 1937.

the Natural Gas Act, and the bill otherwise was the same as the Act finally enacted.

On April 28, 1937, the Committee on Interstate and Foreign Commerce of the House reported on H. R. 6586 (Report No. 709, 75th Cong., 1st Sess.). This report which was incorporated verbatim in the Report of the Senate Committee on Interstate Commerce, Report No. 1162, 75th Cong. 1st Sess. accompanying H. R. 6586 says (p. 3):

> In view of the importance of section 1 (b), which states the scope of the act, it seems advisable to comment on certain provisions appearing therein. It will be noted that this subsection of the bill, after affirmatively stating the matters to which the act is to apply, contains a provision specifying what the act is not to apply to, as follows:
>
> "but shall not apply to any other transportation or sale of natural gas or to the local distribution of natural gas or to the facilities used for such distribution or to the production or gathering of natural gas."
>
> The quoted words are not actually necessary, as the matters specified therein could not be said fairly to be covered by the language affirmatively stating the jurisdiction of the Commission, but similar language was in previous bills; and, rather than invite the contention, however unfounded, that the elimination of the negative language would broaden the scope of the act, the committee has included it in this bill. That part of the negative declaration stat-

> ing that the act shall not apply to "the local distribution of natural gas" is surplusage by reason of the fact that distribution is made only to consumers in connection with sales, and since no jurisdiction is given to the Commission to regulate sales to consumers the Commission would have no authority over distribution, whether or not local in character."[13]

The House Report, *supra*, on pages 1, 2, and 3, contains the following statements clearly showing the paramount intention was to regulate all wholesale sales of natural gas in interstate commerce not capable of regulation by the States:

> The States have, of course, for many years regulated sales of natural gas to consumers in intrastate transactions. The States have also been able to regulate sales to consumers even though such sales are in interstate commerce, such sales being considered local in character and in the absence

[13] Senator Wheeler, who was in charge of the bill in the Senate summed up the matter well in the debate in the Senate on H. R. 6586 when he said (81 Cong. Rec. 9312):

"Mr. WHEELER. It does not attempt to regulate the producers of natural gas or the distributors of natural gas; only those who sell at wholesale in interstate commerce."

Senator Wheeler further said in the same debate (81 Cong. Rec. 9313): "There is no attempt and can be no attempt under the provisions of the bill to regulate anything in the field except where it is not regulated at the present time. It applies only as to interstate commerce and only to the wholesale price of gas."

of congressional prohibition subject to State regulation. (See *Pennsylvania Gas Co.* v. *Public Service Commission* (1920), 252 U. S. 23.) There is no intention in enacting the present legislation to disturb the States in their exercise of such jurisdiction. However, in the case of sales for resale, or so-called wholesale sales, in interstate commerce (for example, sales by producing companies to distributing companies), the legal situation is different. Such transactions have been considered to be not local in character and, even in the absence of Congressional action, not subject to State regulation. (See *Missouri* v. *Kansas Gas Co.* (1924), 265 U. S. 298, and *Public Utilities Commission* v. *Attleboro Steam & Electric Co.* (1927) 273 U. S. 83.) The basic purpose of the present legislation is to occupy this field in which the Supreme Court has held that the States may not act.

* * * * * * *

* * * The bill takes no authority from State commissions, and is so drawn as to complement and in no manner usurp State regulatory authority, and contains provisions for cooperative action with State regulatory bodies.

* * * * * *

Your committee believes that this legislation is highly desirable to fill the gap in regulation that now exists by reason of the lack of authority of the State commissions.

Thus, the legislative history clearly demonstrates that Congress was seeking to bridge the gap created by the *Attleboro* case, and not to rest jurisdiction in the Commission over purely local transactions even though they may be in interstate commerce. The very language of Section 1 (b) supports this conclusion. The Commission, for example, has jurisdiction only over sales for resale in interstate commerce, not over direct industrial sales. Similarly, the local distribution of gas has been exempted from the Commission's jurisdiction.

In administering the "production and gathering of natural gas" exemption relied upon by petitioner, the Commission has recognized the distinction between sales such as those herein by a natural-gas company on the one hand, and sales such as arm's-length sales by one who is engaged in the production and gathering of natural gas exclusive of transportation. At no time has the Commission attempted to exercise jurisdiction over such arm's-length sales by such producers and gatherers. But, where the sales occur after the completion of gathering, especially where there is affiliation, by a company which is otherwise a natural-gas company, the Commission is of the opinion that such sales are not exempt from its jurisdiction.

The first case in which the jurisdictional question of production and gathering was presented was *Columbian Fuel Corporation* case, 2 F. P. C.

200, 35 P. U. R. (N. S.) 3. In that case, the company was engaged solely in production and gathering, and sold the gas so produced and gathered to a nonaffiliate. The Commission in that case held that it had no jurisdiction, recognizing:

> The companies to be subjected to regulation were conceived of as "pipe-line" companies, and it was assumed that production and gathering would enter the field of regulation only to the extent that the "pipe-line" companies, either directly or through affiliates, controlled the production or gathering of the gas so transported. [2 F. P. C. at 207; 35, P. U. R. (N. S.) at 10.]

The present case is clearly distinguishable from the *Columbian Fuel* case because the record shows that petitioner (1) admittedly is a natural-gas company, subject to the Act, (2) transports large quantities of gas which is purchased from others after such gas has been completely gathered and (3) transports both produced and purchased gas prior to the sales at wholesale which are in issue. Additionally, it should be pointed out that the gas so sold to the three pipe line companies is mainly gas which has been produced and gathered by others, sold to petitioner, and then transported by it to the points of sale.

The second case raising this question was the *Billings Gas Company* case, 2 F. P. C. 288, 35

P. U. R. (N. S.) 321. There the Commission held that the three companies involved in that proceeding were natural-gas companies within the Act. Jurisdiction over one of the companies (the Ohio Company), was asserted because it transported gas after the completion of gathering by it and, therefore, was not within the category of the *Columbian Fuel Corporation* case.

The third case was the *Peoples Natural Gas Company* v. *Federal Power Commission*, 2 F. P. C. 1017, 127 F. 2d 153 (App. D. C.), certiorari denied, 316 U. S. 700. This was a proceeding instituted by the Commission in order to determine whether the company was a natural-gas company under the Act and if its wholesale rates were just and reasonable.

The case was taken into the courts, not as a result of a rate reduction order but by reason of the refusal of the company to comply with a subpoena *duces tecum*. However, in an appearing clause in its order of August 9, 1941 (2 F. P. C. 1017–1018), the Commission stated that:

> The testimony and evidence adduced at said hearing shows, among other things, that Peoples sells natural gas at its Pew compressor station in Clarion County, Pennsylvania, to New York State Natural Gas Corporation, an *affiliated* company, and that the latter immediately transports said

> natural gas into the State of New York where it sells the same to others for resale for ultimate public consumption; the sale of natural gas by Peoples to New York State Natural Gas Corporation is a continuous process and appears to be a sale in interstate commerce of natural gas for resale for ultimate public consumption * * *. (Italics supplied.)

A careful analysis of the facts of these three cases and of the present case shows that the Commission has never sought to extend its jurisdiction over the sales of natural gas made by independent producers and gatherers, but only over sales made by one otherwise a natural-gas company or where affiliation between seller and purchaser is involved or where there is transportation in interstate commerce by the seller after completion of gathering prior to the wholesale sale. Petitioner is otherwise a natural-gas company, is affiliated with a purchasing natural-gas company and transports the gas in interstate commerce prior to sale. Over such sales Congress intended there should be regulation in the national interest.

A review of the briefs submitted in behalf of the States of Oklahoma and Texas raises issues which we believe need not be considered by this Court. It appears to us that these States are more concerned about what they fear the Commission might do than what it has done.

We believe that in the face of the rulings of the Commission on Section 1 (b) and the decisions of this Court, it cannot be urged, as the State of Oklahoma has, that the decision of the court below repeals State statutes and stifles the power of the States to conserve their oil and gas resources. Reference is made by the State of Oklahoma to an order recently issued by its Corporation Commission fixing the wellhead price for gas in the Guymon section of the Hugoton gas field. We do not contend that the Natural Gas Act has given the Commission authority to promulgate an order directed to the thousands of independent producers in the States of Oklahoma and Texas to the effect that they cannot sell gas beyond a certain price.

The Commission has recognized that there are many complex problems connected with the administration of Section 1 (b). Further, it has been fully cognizant of the concern on the part of the natural-gas industry that the Commission might invade fields not within its jurisdiction. In addition to expressions on the subject in cases decided by it the Commission has issued official statements[14] dealing with the subject indicating

[14] In a letter to Governor Andrew F. Schoeppel, Chairman of the Interstate Oil Compact Commission, dated December 30, 1945, the Commission, referring to its national Natural Gas Investigation (Docket No. G-580), instituted by it for

that it did not regard its authority as extending to the regulation of production and gathering or of those engaged solely in such operations.

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the purpose of inquiring into all aspects of the gas industry, and reporting thereon to the Congress with recommendations and conclusions, said:

"* * * We wish to assure the representatives of all the gas producing States that the Federal Power Commission has no desire to extend its jurisdiction to cover the production of natural gas or otherwise invade what are properly regarded as the functions of the conservation authorities of the several States * * * in instituting this investigation, the Commission has no desire to interfere with the several States in the full and effective exercise of their authority regarding either the production or local distribution of natural gas."

Subsequent to the sending of the letter to Governor Schoeppel, the Commission in a statement issued on July 21, 1945, to William R. Boyd, Jr., Chairman of the Petroleum Industry War Council, said:

"At the time the above letter was written it was believed that this declaration should be sufficient to completely reassure those who had expressed some apprehension that the Commission might be seeking to extend its jurisdiction over the production of natural gas or in some other manner interfere with the several States in the exercise of their respective authorities with regard to natural gas.

"It now appears, however, that similar fears have been expressed that the Commission might be seeking to extend its jurisdiction to the production of oil or to establish some degree of regulatory authority with respect to petroleum pipe lines.

"It seems desirable therefore to declare in unequivocal language that the Commission has no desire or intent to extend its jurisdiction as regards either oil or petroleum pipe lines * * *."

CONCLUSION

For the reasons stated, it is respectfully submitted that the decision below should be affirmed.

GEORGE T. WASHINGTON,
Acting Solicitor General.

BRADFORD ROSS,
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Principal Attorney,
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APRIL 1947.

U. S. GOVERNMENT PRINTING OFFICE, 1947

FEDERAL POWER COMMISSION

NATURAL GAS ACT

[PUBLIC LAW 444—77TH CONGRESS]

[CHAPTER 49—2D SESSION]

[H. R. 5249]

AN ACT

To amend section 7 of the Natural Gas Act.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 7 of the Natural Gas Act, approved June 21, 1938, is hereby amended by striking out subsection (c) thereof and by adding after subsection (b) the following new subsections:

"(c) No natural-gas company or person which will be a natural-gas company upon completion of any proposed construction or extension shall engage in the transportation or sale of natural gas, subject to the jurisdiction of the Commission, or undertake the construction or extension of any facilities therefor, or acquire or operate any such facilities or extensions thereof, unless there is in force with respect to such natural-gas company a certificate of public convenience and necessity issued by the Commission authorizing such acts or operations: *Provided, however*, That if any such natural-gas company or predecessor in interest was bona fide engaged in transportation or sale of natural gas, subject to the jurisdiction of the Commission, on the effective date of this amendatory Act, over the route or routes or within the area for which application is made and has so operated since that time, the Commission shall issue such certificate without requiring further proof that public convenience and necessity will be served by such operation, and without further proceedings, if application for such certificate is made to the Commission within ninety days after the effective date of this amendatory Act. Pending the determination of any such application, the continuance of such operation shall be lawful.

"In all other cases the Commission shall set the matter for hearing and shall give such reasonable notice of the hearing thereon to all interested persons as in its judgment may be necessary under rules and regulations to be prescribed by the Commission; and the application shall be decided in accordance with the procedure provided in subsection (e) of this section and such certificate shall be issued or denied accordingly: *Provided, however*, That the Commission may issue a temporary certificate in cases of emergency, to assure maintenance of adequate service or to serve particular customers, without notice or hearing, pending the determination of an application for a certificate, and may by regulation exempt from the requirements of this section temporary acts or operations for which the issuance of a certificate will not be required in the public interest.

"(d) Application for certificates shall be made in writing to the Commission, be verified under oath, and shall be in such form, contain such information, and notice thereof shall be served upon such

interested parties and in such manner as the Commission shall, by regulation, require.

"(e) Except in the cases governed by the provisos contained in subsection (c) of this section, a certificate shall be issued to any qualified applicant therefor, authorizing the whole or any part of the operation, sale, service, construction, extension, or acquisition covered by the application, if it is found that the applicant is able and willing properly to do the acts and to perform the service proposed and to conform to the provisions of the Act and the requirements, rules, and regulations of the Commission thereunder, and that the proposed service, sale, operation, construction, extension, or acquisition, to the extent authorized by the certificate, is or will be required by the present or future public convenience and necessity; otherwise such application shall be denied. The Commission shall have the power to attach to the issuance of the certificate and to the exercise of the rights granted thereunder such reasonable terms and conditions as the public convenience and necessity may require.

"(f) The Commission, after a hearing had upon its own motion or upon application, may determine the service area to which each authorization under this section is to be limited. Within such service area as determined by the Commission a natural-gas company may enlarge or extend its facilities for the purpose of supplying increased market demands in such service area without further authorization.

"(g) Nothing contained in this section shall be construed as a limitation upon the power of the Commission to grant certificates of public convenience and necessity for service of an area already being served by another natural-gas company."

Approved, February 7, 1942.

FEDERAL POWER COMMISSION

NATURAL GAS ACT

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1939

For sale by the Superintendent of Documents, Washington, D. C. . . . . Price 10 cents

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TABLE OF CONTENTS

NATURAL GAS ACT

	Page
Section 1	1
Section 2	1
Section 3	2
Section 4	3
Section 5	5
Section 6	6
Section 7	6
Section 8	7
Section 9	9
Section 10	10
Section 11	10
Section 12	11
Section 13	11
Section 14	12
Section 15	14
Section 16	15
Section 17	16
Section 18	17
Section 19	17
Section 20	19
Section 21	20
Section 22	20
Section 23	21
Section 24	21
Appendix: Executive Order No. 8202 relating to the issuance of Presidential permits for physical connections in the transmission of electric energy and natural gas between the United States and foreign countries	22
Index to Natural Gas Act	23

FOREWORD

NATURAL GAS ACT

The Natural Gas Act was approved June 21, 1938 (52 Stat. 833; title 15 U. S. C. 717–717W).

NATURAL GAS ACT

[PUBLIC—No. 688—75TH CONGRESS]
[CHAPTER 556—3D SESSION]
[H. R. 6586]

AN ACT

To regulate the transportation and sale of natural gas in interstate commerce, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

NECESSITY FOR REGULATION OF NATURAL-GAS COMPANIES

Declaration of policy.

SECTION 1. (a) As disclosed in reports of the Federal Trade Commission made pursuant to Senate Resolution 83 (Seventieth Congress, first session) and other reports made pursuant to the authority of Congress, it is hereby declared that the business of transporting and selling natural gas for ultimate distribution to the public is affected with a public interest, and that Federal regulation in matters relating to the transportation of natural gas and the sale thereof in interstate and foreign commerce is necessary in the public interest.

Act applies to transportation and sale for resale of natural gas in interstate commerce.

(b) The provisions of this act shall apply to the transportation of natural gas in interstate commerce, to the sale in interstate commerce of natural gas for resale for ultimate public consumption for domestic, commercial, industrial, or any other use, and to natural-gas companies engaged in such transportation or sale, but shall not apply to any other transportation or sale of natural gas or to the local distribution of natural gas or to the facilities used for such distribution or to the production or gathering of natural gas.

Not to apply to other transportation or sale or to the local distribution or facilities or gathering of natural gas.

Meaning of terms as used.

SEC. 2. When used in this act, unless the context otherwise requires—

"Person."

"Corporation."

(1) "Person" includes an individual or a corporation.

(2) "Corporation" includes any corporation, joint-stock company, partnership, association, business trust, organized group of persons, whether incorporated or not, receiver or receivers, trustee or trustees of any of the foregoing, but shall not include municipalities as hereinafter defined.

"Municipality."

(3) "Municipality" means a city, county, or other political subdivision or agency of a State.

"State."

(4) "State" means a State admitted to the Union, the District of Columbia, and any organized Territory of the United States.

"Natural gas."

(5) "Natural gas" means either natural gas unmixed, or any mixture of natural and artificial gas.

"Natural-gas company."

(6) "Natural-gas company" means a person engaged in the transportation of natural gas in interstate commerce, or the sale in interstate commerce of such gas for resale.

"Interstate commerce."

(7) "Interstate commerce" means commerce between any point in a State and any point outside thereof, or between points within the same State but through any place outside thereof, but only insofar as such commerce takes place within the United States.

"State commission."

(8) "State commission" means the regulatory body of the State or municipality having jurisdiction to regulate rates and charges for the sale of natural gas to consumers within the State or municipality.

"Commission" and "Commissioner."

(9) "Commission" and "Commissioner" means the Federal Power Commission, and a member thereof, respectively.

EXPORTATION OR IMPORTATION OF NATURAL GAS

Exportation or importation prohibited except on Commission order granting authority.

SEC. 3. After six months from the date on which this act takes effect no person shall export any natural gas from the United States to a foreign country or import any natural gas from a foreign country without first having secured an order of the Commission authorizing it to do so. The Commission shall issue such order upon application, unless, after opportunity for hearing, it finds that the proposed exportation or importation will not be consistent with the public interest. The Commission may by its order grant such application, in whole or in part, with such modification and upon such terms and conditions as the Commission may find neces-

Application; hearing.

Order may be granted wholly, or in part, and on conditions.

sary or appropriate, and may from time to time, after opportunity for hearing, and for good cause shown, make such supplemental order in the premises as it may find necessary or appropriate.

Supplemental order.

RATES AND CHARGES; SCHEDULES; SUSPENSION OF NEW RATES

Rates and charges for transportation or sale to be just and reasonable.

SEC. 4. (a) All rates and charges made, demanded, or received by any natural-gas company for or in connection with the transportation or sale of natural gas subject to the jurisdiction of the Commission, and all rules and regulations affecting or pertaining to such rates or charges, shall be just and reasonable, and any such rate or charge that is not just and reasonable is hereby declared to be unlawful.

Unreasonable rates and charges are unlawful.

(b) No natural-gas company shall, with respect to any transportation or sale of natural gas subject to the jurisdiction of the Commission, (1) make or grant any undue preference or advantage to any person or subject any person to any undue prejudice or disadvantage, or (2) maintain any unreasonable difference in rates, charges, service, facilities, or in any other respect, either as between localities or as between classes of service.

Undue preference or advantage prohibited.

Unreasonable differences in rates, etc., or in localities or classes of service forbidden.

(c) Under such rules and regulations as the Commission may prescribe, every natural-gas company shall file with the Commission, within such time (not less than sixty days from the date this act takes effect) and in such form as the Commission may designate, and shall keep open in convenient form and place for public inspection, schedules showing all rates and charges for any transportation or sale subject to the jurisdiction of the Commission, and the classifications, practices, and regulations affecting such rates and charges, together with all contracts which in any manner affect or relate to such rates, charges, classifications, and services.

Filing and posting of rate schedules subject to rules and regulations of Commission.

Public to have access to rate schedules.

(d) Unless the Commission otherwise orders, no change shall be made by any natural-gas company in any such rate, charge, classification, or service, or in any rule, regulation, or contract relating thereto, except after thirty days' notice to the Commission and to the public. Such notice shall be given by filing with the Commission and keeping open for public inspection new schedules stating plainly the change or changes to be made in the schedule or schedules then in force and the

Thirty days' notice of change in rates required.

Posting; filing rate changes.

Relief by Commission from operation of section.

time when the change or changes will go into effect. The Commission, for good cause shown, may allow changes to take effect without requiring the thirty days' notice herein provided for by an order specifying the changes so to be made and the time when they shall take effect and the manner in which they shall be filed and published.

Investigation of new schedules may be made on complaint or initiative of Commission.

Hearing.

Suspension pending decision.

(e) Whenever any such new schedule is filed the Commission shall have authority, either upon complaint of any State, municipality, or State commission, or upon its own initiative without complaint, at once, and if it so orders, without answer or formal pleading by the natural-gas company, but upon reasonable notice, to enter upon a hearing concerning the lawfulness of such rate, charge, classification, or service; and, pending such hearing and the decision thereon, the Commission, upon filing with such schedules and delivering to the natural-gas company affected thereby a statement in writing of its reasons for such suspension, may suspend the operation of such schedule and defer the use of such rate, charge, classification, or service, but not for a longer period than five months beyond the time when it would otherwise go into effect: *Provided*, That the Commission shall not have authority to suspend the rate, charge, classification, or service for the sale of natural gas for resale for industrial use only; and after full hearings, either completed before or after the rate, charge, classification, or service goes into effect, the Commission may make such orders with reference thereto as would be proper in a proceeding initiated after it had become effective. If the proceeding has not been concluded and an order made at the expiration of the suspension period, on motion of the natural-gas company making the filing, the proposed change of rate, charge, classification, or service shall go into effect. Where increased rates or charges are thus made effective, the Commission may, by order, require the natural-gas company to furnish a bond, to be approved by the Commission, to refund any amounts ordered by the Commission, to keep accurate accounts in detail of all amounts received by reason of such increase, specifying by whom and in whose behalf such amounts were paid, and, upon completion of the hearing and decision, to order such natural-gas company

Suspension period not to exceed 5 months.

Rate, etc., for sale for resale for industrial use only cannot be suspended.

On expiration of suspension period change, on motion, shall go into effect.

If rates are increased, bond for refund may be required.

Accurate accounts of increased rate collections.

to refund, with interest, the portion of such increased rates or charges by its decision found not justified. At any hearing involving a rate or charge sought to be increased, the burden of proof to show that the increased rate or charge is just and reasonable shall be upon the natural-gas company, and the Commission shall give to the hearing and decision of such questions preference over other questions pending before it and decide the same as speedily as possible.

Refund of increased amount.

Burden of proof as to reasonableness of increased rate on company.

Preference.

FIXING RATES AND CHARGES; DETERMINATION OF COST OF PRODUCTION OR TRANSPORTATION

SEC. 5. (a) Whenever the Commission, after a hearing had upon its own motion or upon complaint of any State, municipality, State commission, or gas distributing company, shall find that any rate, charge, or classification demanded, observed, charged, or collected by any natural-gas company in connection with any transportation or sale of natural gas, subject to the jurisdiction of the Commission, or that any rule, regulation, practice, or contract affecting such rate, charge, or classification is unjust, unreasonable, unduly discriminatory, or preferential, the Commission shall determine the just and reasonable rate, charge, classification, rule, regulation, practice, or contract to be thereafter observed and in force, and shall fix the same by order: *Provided, however*, That the Commission shall have no power to order any increase in any rate contained in the currently effective schedule of such natural gas company on file with the Commission, unless such increase is in accordance with a new schedule filed by such natural gas company; but the Commission may order a decrease where existing rates are unjust, unduly discriminatory, preferential, otherwise unlawful, or are not the lowest reasonable rates.

Commission upon own motion or complaint may determine reasonable rate, etc.

Just and reasonable rate, etc., shall be fixed by order.

Commission cannot order increase apart from filed schedule, but may order decrease in rates, etc.

(b) The Commission upon its own motion, or upon the request of any State commission, whenever it can do so without prejudice to the efficient and proper conduct of its affairs, may investigate and determine the cost of the production or transportation of natural gas by a natural-gas company in cases where the Commission has no authority to establish a rate governing the transportation or sale of such natural gas.

Commission may investigate and determine cost of production or transportation where it cannot establish rate.

ASCERTAINMENT OF COST OF PROPERTY

Actual legitimate cost of property, depreciation, etc., to be ascertained for rate making.

SEC. 6. (a) The Commission may investigate and ascertain the actual legitimate cost of the property of every natural-gas company, the depreciation therein, and, when found necessary for rate-making purposes, other facts which bear on the determination of such cost or depreciation and the fair value of such property.

Inventory, statement of original cost, and additions, betterments, etc., to be filed upon request.

(b) Every natural-gas company upon request shall file with the Commission an inventory of all or any part of its property and a statement of the original cost thereof, and shall keep the Commission informed regarding the cost of all additions, betterments, extensions, and new construction.

EXTENSION OF FACILITIES; ABANDONMENT OF SERVICE

Commission may direct extension or improvement of transportation facilities and establishment of physical connections.

SEC. 7. (a) Whenever the Commission, after notice and opportunity for hearing, finds such action necessary or desirable in the public interest, it may by order direct a natural-gas company to extend or improve its transportation facilities, to establish physical connection of its transportation facilities with the facilities of, and sell natural gas to, any person or municipality engaged or legally authorized to engage in the local distribution of natural or artificial gas to the public, and for such purpose to extend its transportation facilities to communities immediately adjacent to such facilities or to territory served by such natural-gas company, if the Commission finds that no undue burden will be placed upon such natural-gas company thereby: *Provided*, That the Commission shall have no authority to compel the enlargement of transportation facilities for such purposes, or to compel such natural-gas company to establish physical connection or sell natural gas when to do so would impair its ability to render adequate service to its customers.

Commission has no authority to compel enlargement of facilities, etc., if ability of company to render adequate service is impaired.

No abandonment of facilities or service without approval of Commission.

(b) No natural-gas company shall abandon all or any portion of its facilities subject to the jurisdiction of the Commission, or any service rendered by means of such facilities, without the permission and approval of the Commission first had and obtained, after due hearing, and a finding by the Commission that the available supply of natural gas is depleted to the extent that the continuance of service is unwarranted, or that the present or

future public convenience or necessity permit such abandonment.

Certificate of public convenience and necessity required for construction or extension of facilities.

(c) No natural-gas company shall undertake the construction or extension of any facilities for the transportation of natural gas to a market in which natural gas is already being served by another natural-gas company, or acquire or operate any such facilities or extensions thereof, or engage in transportation by means of any new or additional facilities, or sell natural gas in any such market, unless and until there shall first have been obtained from the Commission a certificate that the present or future public convenience and necessity require or will require such new construction or operation of any such facilities or extensions thereof: *Provided, however*, That a natural-gas company already serving a market may enlarge or extend its facilities for the purpose of supplying increased market demands in the territory in which it operates. Whenever any natural-gas company shall make application for a certificate of convenience and necessity under the provisions of this subsection, the Commission shall set the matter for hearing and shall give such reasonable notice of the hearing thereon to all interested persons as in its judgment may be necessary under rules and regulations to be prescribed by the Commission. In passing on applications for certificates of convenience and necessity, the Commission shall give due consideration to the applicant's ability to render and maintain adequate service at rates lower than those prevailing in the territory to be served, it being the intention of Congress that natural gas shall be sold in interstate commerce for resale for ultimate public consumption for domestic, commercial, industrial, or any other use at the lowest possible reasonable rate consistent with the maintenance of adequate service in the public interest.

Exception where market demands increased in territory where applicant operates.

Procedure upon application for certificate of convenience and necessity.

Intention that natural gas shall be sold in interstate commerce for resale, etc., at lowest reasonable rate, etc.

ACCOUNTS, RECORDS, AND MEMORANDA

Natural-gas companies must keep accounts, records, etc., in accordance with Commission rules.

SEC. 8. (a) Every natural-gas company shall make, keep, and preserve for such periods, such accounts, records of cost-accounting procedures, correspondence, memoranda, papers, books, and other records as the Commission may by rules and regulations prescribe as necessary or appropriate for purposes of the admin

Not relieved from keeping accounts, records, etc., required by State laws.

istration of this act: *Provided, however*, That nothing in this act shall relieve any such natural-gas company from keeping any accounts, memoranda, or records which such natural-gas company may be required to keep by or under authority of the laws of any State.

Commission may prescribe system of accounts and classify companies.

The Commission may prescribe a system of accounts to be kept by such natural-gas companies, and may classify such natural-gas companies and prescribe a system of accounts for each class. The Commission, after notice and opportunity for hearing, may determine by order the accounts in which particular outlays or receipts shall be entered, charged, or credited.

Burden of proof to justify entries.

The burden of proof to justify every accounting entry questioned by the Commission shall be on the person making, authorizing, or requiring such entry, and the Commission may suspend a charge or credit pending submission of satisfactory proof in support thereof.

Commission may suspend charges or credits pending proof.

Commission to have access to and right to inspect accounts, etc.

(b) The Commission shall at all times have access to and the right to inspect and examine all accounts, records, and memoranda of natural-gas companies; and it shall be the duty of such natural-gas companies to furnish to the Commission, within such reasonable time as the Commission may order, any information with respect thereto which the Commission may by order require, including copies of maps, contracts, reports of engineers, and other data, records, and papers, and to grant to all agents of the Commission free access to its property and its accounts, records, and memoranda when requested so to do.

Companies to furnish information, as Commission orders.

Information obtained by employees, etc., of Commission not to be divulged except as ordered by Commission or court.

No member, officer, or employee of the Commission shall divulge any fact or information which may come to his knowledge during the course of examination of books, records, data, or accounts, except insofar as he may be directed by the Commission or by a court.

Books of persons controlling natural-gas companies subject to Commission examination.

(c) The books, accounts, memoranda, and records of any person who controls directly or indirectly a natural-gas company subject to the jurisdiction of the Commission and of any other company controlled by such person, insofar as they relate to transactions with or the business of such natural-gas company, shall be subject to examination on the order of the Commission.

RATES OF DEPRECIATION

Depreciation and amortization accounts to be in accordance with Commission rules.

Commission may determine adequate rate of depreciation.

SEC. 9. (a) The Commission may, after hearing, require natural-gas companies to carry proper and adequate depreciation and amortization accounts in accordance with such rules, regulations, and forms of account as the Commission may prescribe. The Commission may from time to time ascertain and determine, and by order fix, the proper and adequate rates of depreciation and amortization of the several classes of property of each natural-gas company used or useful in the production, transportation, or sale of natural gas. Each natural-gas company shall conform its depreciation and amortization accounts to the rates so ascertained, determined, and fixed. No natural-gas company subject to the jurisdiction of the Commission shall charge to operating expenses any depreciation or amortization charges on classes of property other than those prescribed by the Commission, or charge with respect to any class of property a percentage of depreciation or amortization other than that prescribed therefor by the Commission. No such natural-gas company shall in any case include in any form under its operating or other expenses any depreciation, amortization, or other charge or expenditure included elsewhere as a depreciation or amortization charge or otherwise under its operating or other expenses. Nothing in this section shall limit the power of a State commission to determine in the exercise of its jurisdiction, with respect to any natural-gas company, the percentage rates of depreciation or amortization to be allowed, as to any class of property of such natural-gas company, or the composite depreciation or amortization rate, for the purpose of determining rates or charges.

Depreciation charges shall not be charged to operating expenses unless authorized.

Jurisdiction of State commissions not limited by this section.

Commission may prescribe rules as to accounts, etc., or depreciation rates.

(b) The Commission, before prescribing any rules or requirements as to accounts, records, or memoranda, or as to depreciation or amortization rates, shall notify each State commission having jurisdiction with respect to any natural-gas company involved and shall give reasonable opportunity to each such commission to present its views and shall receive and consider such views and recommendations.

Notice and opportunity to State commissions to present recommendations.

PERIODIC AND SPECIAL REPORTS

Natural-gas companies shall file reports as required.

Form to be prescribed by Commission.

Contents of reports.

Current determination of costs, etc.

Reports under oath.

SEC. 10. (a) Every natural-gas company shall file with the Commission such annual and other periodic or special reports as the Commission may by rules and regulations or order prescribe as necessary or appropriate to assist the Commission in the proper administration of this act. The Commission may prescribe the manner and form in which such reports shall be made, and require from such natural-gas companies specific answers to all questions upon which the Commission may need information. The Commission may require that such reports shall include, among other things, full information as to assets and liabilities, capitalization, investment and reduction thereof, gross receipts, interest due and paid, depreciation, amortization, and other reserves, cost of facilities, cost of maintenance and operation of facilities for the production, transportation, or sale of natural gas, cost of renewal and replacement of such facilities, transportation, delivery, use, and sale of natural gas. The Commission may require any such natural-gas company to make adequate provision for currently determining such costs and other facts. Such reports shall be made under oath unless the Commission otherwise specifies.

Willful hindrance in making reports, etc., unlawful.

(b) It shall be unlawful for any natural-gas company willfully to hinder, delay, or obstruct the making, filing, or keeping of any information, document, report, memorandum, record, or account required to be made, filed, or kept under this act or any rule, regulation, or order thereunder.

STATE COMPACTS; REPORTS ON

Commission to assemble and to report to Congress information on proposed compacts between States relating to conservation, etc., of natural gas.

SEC. 11. (a) In case two or more States propose to the Congress compacts dealing with the conservation, production, transportation, or distribution of natural gas it shall be the duty of the Commission to assemble pertinent information relative to the matters covered in any such proposed compact, to make public and to report to the Congress information so obtained, together with such recommendations for further legislation as may appear to be appropriate or necessary to carry out the purposes of such proposed compact and to aid in the con-

servation of natural-gas resources within the United States and in the orderly, equitable, and economic production, transportation, and distribution of natural gas.

Commission to assemble current information relative to compacts between States.

(b) It shall be the duty of the Commission to assemble and keep current pertinent information relative to the effect and operation of any compact between two or more States heretofore or hereafter approved by the Congress, to make such information public, and to report to the Congress, from time to time, the information so obtained, together with such recommendations as may appear to be appropriate or necessary to promote the purposes of such compact.

Information to be public.

Reports and recommendations to be made to Congress.

Records of other Government agencies to be available to Commission.

(c) In carrying out the purposes of this act, the Commission shall, so far as practicable, avail itself of the services, records, reports, and information of the executive departments and other agencies of the Government, and the President may, from time to time, direct that such services and facilities be made available to the Commission.

OFFICIALS DEALING IN SECURITIES

Unlawful for officers or directors to benefit from sale or issuance of securities.

SEC. 12. It shall be unlawful for any officer or director of any natural-gas company to receive for his own benefit, directly or indirectly, any money or thing of value in respect to the negotiation, hypothecation, or sale by such natural-gas company of any security issued, or to be issued, by such natural-gas company, or to share in any of the proceeds thereof, or to participate in the making or paying of any dividends, other than liquidating dividends, of such natural-gas company from any funds properly included in capital account.

Unlawful for officers or directors to pay dividends from capital account.

COMPLAINTS

State, municipality, or State commission may file complaints.

SEC. 13. Any State, municipality, or State commission complaining of anything done or omitted to be done by any natural-gas company in contravention of the provisions of this act may apply to the Commission by petition, which shall briefly state the facts, whereupon a statement of the complaint thus made shall be forwarded by the Commission to such natural-gas company, which shall be called upon to satisfy the complaint or to answer the same in writing within a reasonable time to be specified by the Commission.

Contents of petition.

Complaint to be forwarded to natural-gas company by Commission.

Answers to complaints to be filed in time specified by Commission.

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INVESTIGATIONS BY COMMISSION; ATTENDANCE OF WITNESSES; DEPOSITIONS

Investigation by Commission of violations, etc.

SEC. 14. (a) The Commission may investigate any facts, conditions, practices, or matters which it may find necessary or proper in order to determine whether any person has violated or is about to violate any provision of this act or any rule, regulation, or order thereunder, or to aid in the enforcement of the provisions of this act or in prescribing rules or regulations thereunder, or in obtaining information to serve as a basis for recommending further legislation to the Congress. The Commission may permit any person to file with it a statement in writing, under oath or otherwise, as it shall determine, as to any or all facts and circumstances concerning a matter which may be the subject of investigation. The Commission, in its discretion, may publish in the manner authorized by section 312 of the Federal Power Act, and make available to State commissions and municipalities, information concerning any such matter.

Permission to persons to file statement concerning investigation.

Commission may publish information and make information available to State commissions, etc.

Adequacy of gas reserves may be determined by Commission.

(b) The Commission may, after hearing, determine the adequacy or inadequacy of the gas reserves held or controlled by any natural-gas company, or by anyone on its behalf, including its owned or leased properties or royalty contracts; and may also, after hearing, determine the propriety and reasonableness of the inclusion in operating expenses, capital, or surplus of all delay rentals or other forms of rental or compensation for unoperated lands and leases. For the purpose of such determinations, the Commission may require any natural-gas company to file with the Commission true copies of all its lease and royalty agreements with respect to such gas reserves.

Reasonableness of inclusion in operating expenses, etc., of charges for unoperated lands or leases, delay rentals.

Natural-gas companies may be required to file copies of all leases, royalty agreements.

(c) For the purpose of any investigation or any other proceeding under this act, any member of the Commission, or any officer designated by it, is empowered to administer oaths and affirmations, subpena witnesses, compel their attendance, take evidence, and require the production of any books, papers, correspondence, memoranda, contracts, agreements, or other records which the Commission finds relevant or material to the inquiry. Such attendance of witnesses and the production of any such records may be required from any place in the

Member of Commission may administer oath, subpena witnesses, compel their attendance, etc., and require production of books, records, etc.

United States or at any designated place of hearing. Witnesses summoned by the Commission to appear before it shall be paid the same fees and mileage that are paid witnesses in the courts of the United States.

Designated place of hearing.

Fees of witnesses.

(d) In case of contumacy by, or refusal to obey a subpena issued to, any person, the Commission may invoke the aid of any court of the United States within the jurisdiction of which such investigation or proceeding is carried on, or where such person resides or carries on business in requiring the attendance and testimony of witnesses and the production of books, papers, correspondence, memoranda, contracts, agreements, and other records. Such court may issue an order requiring such person to appear before the Commission or member or officer designated by the Commission, there to produce records, if so ordered, or to give testimony touching the matter under investigation or in question; and any failure to obey such order of the court may be punished by such court as a contempt thereof. All process in any such case may be served in the judicial district whereof such person is an inhabitant or wherever he may be found or may be doing business. Any person who willfully shall fail or refuse to attend and testify or to answer any lawful inquiry or to produce books, papers, correspondence, memoranda, contracts, agreements, or other records, if in his or its power so to do, in obedience to the subpena of the Commission, shall be guilty of a misdemeanor and upon conviction shall be subject to a fine of not more than $1,000 or to imprisonment for a term of not more than one year, or both.

Aid of court may be invoked in cases of refusal to obey subpenas, contumacy.

Venue for application.

Court may order appearance of witness and production of records.

Failure to obey court order punishable as contempt.

Service of process.

Misdemeanor for failure to appear and testify or to produce books, etc.

Fine and imprisonment upon conviction.

(e) The testimony of any witness may be taken at the instance of a party, in any proceeding or investigation pending before the Commission, by deposition at any time after the proceeding is at issue. The Commission may also order testimony to be taken by deposition in any proceeding or investigation pending before it at any stage of such proceeding or investigation. Such depositions may be taken before any person authorized to administer oaths not being of counsel or attorney to either of the parties, nor interested in the proceeding or investigation. Reasonable notice must first be given in writing by the party or his attorney proposing to take such deposition to the opposite party or his attorney of record, as either may be nearest, which notice shall state the name of the witness and

Testimony by deposition.

Deposition may be taken before anyone authorized to administer oaths.

Counsel or parties in interest may not take deposition.

Notice of taking of deposition to opposite party.

the time and place of the taking of his deposition. Any person may be compelled to appear and depose, and to produce documentary evidence, in the same manner as witnesses may be compelled to appear and testify and produce documentary evidence before the Commission, as hereinbefore provided. Such testimony shall be reduced to writing by the person taking deposition, or under his direction, and shall, after it has been reduced to writing, be subscribed by the deponent.

Witnesses may be compelled to make deposition, etc.

Testimony shall be reduced to writing and subscribed to by deponent.

(f) If a witness whose testimony may be desired to be taken by deposition be in a foreign country, the deposition may be taken before an officer or person designated by the Commission, or agreed upon by the parties by stipulation in writing to be filed with the Commission. All depositions must be promptly filed with the Commission.

Deposition may be taken in foreign country.

Depositions to be filed with Commission.

(g) Witnesses whose depositions are taken as authorized in this act, and the person or officer taking the same, shall be entitled to the same fees as are paid for like services in the courts of the United States.

Fees allowed deponents and persons taking same.

(h) No person shall be excused from attending and testifying or from producing books, papers, correspondence, memoranda, contracts, agreements, or other records and documents before the Commission, or in obedience to the subpena of the Commission or any member thereof or any officer designated by it, or in any cause or proceeding instituted by the Commission, on the ground that the testimony or evidence, documentary or otherwise, required of him may tend to incriminate him or subject him to a penalty or forfeiture; but no individual shall be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which he is compelled to testify or produce evidence, documentary or otherwise, after having claimed his privilege against self-incrimination, except that such individual so testifying shall not be exempt from prosecution and punishment for perjury committed in so testifying.

No person excused from testifying, etc., before Commission on ground that testimony may tend to incriminate him.

No person claiming privilege shall be prosecuted on his testimony, etc.

Not exempt from prosecution for perjury in so testifying.

HEARINGS; RULES OF PROCEDURE

Any member of Commission or designated representative may conduct hearings.

Records of hearings shall be kept.

SEC. 15. (a) Hearings under this act may be held before the Commission, any member or members thereof, or any representative of the Commission designated by it, and appropriate records thereof shall be kept. In

any proceeding before it, the Commission in accordance with such rules and regulations as it may prescribe, may admit as a party any interested State, State commission, municipality or any representative of interested consumers or security holders, or any competitor of a party to such proceeding, or any other person whose participation in the proceeding may be in the public interest.

Commission to make rules for hearings.

Parties to proceeding.

(b) All hearings, investigations, and proceedings under this act shall be governed by rules of practice and procedure to be adopted by the Commission, and in the conduct thereof the technical rules of evidence need not be applied. No informality in any hearing, investigation, or proceeding or in the manner of taking testimony shall invalidate any order, decision, rule, or regulation issued under the authority of this act.

Rules of practice and procedure; technical rules of evidence need not be applied.

Informality of hearing, etc., not to invalidate any order, rule, etc.

ADMINISTRATIVE POWERS OF COMMISSION; RULES, REGULATIONS, AND ORDERS

SEC. 16. The Commission shall have power to perform any and all acts, and to prescribe, issue, make, amend, and rescind such orders, rules, and regulations as it may find necessary or appropriate to carry out the provisions of this act. Among other things, such rules and regulations may define accounting, technical, and trade terms used in this act; and may prescribe the form or forms of all statements, declarations, applications, and reports to be filed with the Commission, the information which they shall contain, and the time within which they shall be filed. Unless a different date is specified therein, rules and regulations of the Commission shall be effective thirty days after publication in the manner which the Commission shall prescribe. Orders of the Commission shall be effective on the date and in the manner which the Commission shall prescribe. For the purposes of its rules and regulations, the Commission may classify persons and matters within its jurisdiction and prescribe different requirements for different classes of persons or matters. All rules and regulations of the Commission shall be filed with its secretary and shall be kept open in convenient form for public inspection and examination during reasonable business hours.

General powers of Commission to issue, amend, rescind orders; prescribe rules and regulations; define accounting terms; prescribe forms.

Effective date of rules and regulations, etc.

Persons and matters within jurisdiction of Commission may be classified.

Rules and regulations shall be filed with Secretary and open in convenient form for public inspection.

USE OF JOINT BOARDS; COOPERATION WITH STATE COMMISSIONS

Reference of matters to joint boards composed of members from States affected.

Power of joint boards.

Force and effect of action of joint boards.

Appointment of joint boards.

Allowances for expenses of board members.

Matters referred to board may be revoked.

Conferences with State commissions regarding rates, accounts, etc., authorized.

Cooperation with State commission.

Information and reports of Commission available to State commissions.

SEC. 17. (a) The Commission may refer any matter arising in the administration of this act to a board to be composed of a member or members, as determined by the Commission, from the State or each of the States affected or to be affected by such matter. Any such board shall be vested with the same power and be subject to the same duties and liabilities as in the case of a member of the Commission when designated by the Commission to hold any hearings. The action of such board shall have such force and effect and its proceedings shall be conducted in such manner as the Commission shall by regulations prescribe. The Board shall be appointed by the Commission from persons nominated by the State commission of each State affected, or by the Governor of such State if there is no State commission. Each State affected shall be entitled to the same number of representatives on the board unless the nominating power of such State waives such right. The Commission shall have discretion to reject the nominee from any State, but shall thereupon invite a new nomination from that State. The members of a board shall receive such allowances for expenses as the Commission shall provide. The Commission may, when in its discretion sufficient reason exists therefor, revoke any reference to such a board.

(b) The Commission may confer with any State commission regarding rate structures, costs, accounts, charges, practices, classifications, and regulations of natural-gas companies; and the Commission is authorized, under such rules and regulations as it shall prescribe, to hold joint hearings with any State commission in connection with any matter with respect to which the Commission is authorized to act. The Commission is authorized in the administration of this act to avail itself of such cooperation, services, records, and facilities as may be afforded by any State commission.

(c) The Commission shall make available to the several State commissions such information and reports as may be of assistance in State regulation of natural-gas companies. Whenever the Commission can do so with-

out prejudice to the efficient and proper conduct of its affairs, it may, upon request from a State commission, make available to such State commission as witnesses any of its trained rate, valuation, or other experts, subject to reimbursement of the compensation and traveling expenses of such witnesses. All sums collected hereunder shall be credited to the appropriation from which the amounts were expended in carrying out the provisions of this subsection.

Availability of Commissions' experts as witnesses to State commissions.

Disposition of compensation received from State commissions for experts, etc.

APPOINTMENT OF OFFICERS AND EMPLOYEES

SEC. 18. The Commission is authorized to appoint and fix the compensation of such officers, attorneys, examiners, and experts as may be necessary for carrying out its functions under this act, without regard to the provisions of other laws applicable to the employment and compensation of officers and employees of the United States; and the Commission may, subject to civil-service laws, appoint such other officers and employees as are necessary for carrying out such functions and fix their salaries in accordance with the Classification Act of 1923, as amended.

Appointment of officers, attorneys, examiners, and experts.

Provisions of other laws relevant to employment and compensation not applicable.

Appoint other officers and employees under Classification Act, 1923.

REHEARINGS; COURT REVIEW OF ORDERS

SEC. 19. (a) Any person, State, municipality, or State commission aggrieved by an order issued by the Commission in a proceeding under this act to which such person, State, municipality, or State commission is a party may apply for a rehearing within thirty days after the issuance of such order. The application for rehearing shall set forth specifically the ground or grounds upon which such application is based. Upon such application the Commission shall have power to grant or deny rehearing or to abrogate or modify its order without further hearing. Unless the Commission acts upon the application for rehearing within thirty days after it is filed, such application may be deemed to have been denied. No proceeding to review any order of the Commission shall be brought by any person unless such person shall have made application to the Commission for a rehearing thereon.

Rehearing on order of Commission.

Application must be made within 30 days of order.

Application for rehearing shall set forth grounds upon which based. Commission may grant or deny application.

Application automatically denied unless Commission acts within 30 days.

Application for rehearing must precede court review of order.

(b) Any party to a proceeding under this act aggrieved by an order issued by the Commission in such proceeding may obtain a review of such order in the

Review of Commission orders by Circuit Court of Appeals or District of Columbia Court of Appeals.

Venue for appeal. Petition for review must be filed within 60 days after order on application for rehearing.

Service of copy of petition on Commission.

Transcript of record prepared by Commission and certified to Court.

Upon filing of transcript, Court has exclusive jurisdiction to affirm, modify, or set aside Commission order.

Only objections urged before Commission shall be considered by Court.

Findings of fact supported by substantial evidence are conclusive.

Additional evidence may be adduced before Commission upon leave of Court.

Commission may modify its findings by reason of such evidence.

Modified or new findings to be filed with Court.

Judgment or decree of Court on appeal final subject to review by Supreme Court.

circuit court of appeals of the United States for any circuit wherein the natural-gas company to which the order relates is located or has its principal place of business, or in the United States Court of Appeals for the District of Columbia, by filing in such court, within sixty days after the order of the Commission upon the application for rehearing, a written petition praying that the order of the Commission be modified or set aside in whole or in part. A copy of such petition shall forthwith be served upon any member of the Commission and thereupon the Commission shall certify and file with the court a transcript of the record upon which the order complained of was entered. Upon the filing of such transcript such court shall have exclusive jurisdiction to affirm, modify, or set aside such order in whole or in part. No objection to the order of the Commission shall be considered by the court unless such objection shall have been urged before the Commission in the application for rehearing unless there is reasonable ground for failure so to do. The finding of the Commission as to the facts, if supported by substantial evidence, shall be conclusive. If any party shall apply to the court for leave to adduce additional evidence, and shall show to the satisfaction of the court that such additional evidence is material and that there were reasonable grounds for failure to adduce such evidence in the proceedings before the Commission, the court may order such additional evidence to be taken before the Commission and to be adduced upon the hearing in such manner and upon such terms and conditions as to the court may seem proper. The Commission may modify its findings as to the facts by reason of the additional evidence so taken, and it shall file with the court such modified or new findings, which if supported by substantial evidence, shall be conclusive, and its recommendation, if any, for the modification or setting aside of the original order. The judgment and decree of the court, affirming, modifying, or setting aside, in whole or in part, any such order of the Commission, shall be final, subject to review by the Supreme Court of the United States upon certiorari or certification as provided in sections 239 and 240 of the Judicial Code, as amended (U. S. C., title 28, secs. 346 and 347):

(c) The filing of an application for rehearing under subsection (a) shall not, unless specifically ordered by the Commission, operate as a stay of the Commission's order. The commencement of proceedings under subsection (b) of this section shall not, unless specifically ordered by the court, operate as a stay of the Commission's order.

Order of Commission not stayed by application for rehearing unless specifically ordered.

Order of Commission not stayed by petition for review, unless ordered by court.

ENFORCEMENT OF ACT; REGULATIONS AND ORDERS

SEC. 20. (a) Whenever it shall appear to the Commission that any person is engaged or about to engage in any acts or practices which constitute or will constitute a violation of the provisions of this act, or of any rule, regulation, or order thereunder, it may in its discretion bring an action in the proper district court of the United States, the District Court of the United States for the District of Columbia, or the United States courts of any Territory or other place subject to the jurisdiction of the United States, to enjoin such acts or practices and to enforce compliance with this act or any rule, regulation, or order thereunder, and upon a proper showing a permanent or temporary injunction or decree or restraining order shall be granted without bond. The Commission may transmit such evidence as may be available concerning such acts or practices or concerning apparent violations of the Federal antitrust laws to the Attorney General, who, in his discretion, may institute the necessary criminal proceedings.

Violation of provisions of act or of rules, regulations, orders of the Commission may be enjoined in District Court, etc.

Venue for injunction action.

Attorney General may institute criminal proceedings.

(b) Upon application of the Commission the district courts of the United States, the District Court of the United States for the District of Columbia, and the United States courts of any Territory or other place subject to the jurisdiction of the United States shall have jurisdiction to issue writs of mandamus commanding any person to comply with the provisions of this act or any rule, regulation, or order of the Commission thereunder.

District courts, upon application of Commission, may issue writs of mandamus.

(c) The Commission may employ such attorneys as it finds necessary for proper legal aid and service of the Commission or its members in the conduct of their work, or for proper representation of the public interest in investigations made by it, or cases or proceedings pending before it, whether at the Commission's own instance

Commission may employ attorneys to aid generally and to represent it in court.

Expenses of employment to be paid out of Commission's appropriation.

or upon complaint, or to appear for or represent the Commission in any case in court; and the expenses of such employment shall be paid out of the appropriation for the Commission.

GENERAL PENALTIES

Willful violations of act, etc., punishable by fine and imprisonment.

SEC. 21. (a) Any person who willfully and knowingly does or causes or suffers to be done any act, matter, or thing in this act prohibited or declared to be unlawful, or who willfully and knowingly omits or fails to do any act, matter, or thing in this act required to be done, or willfully and knowingly causes or suffers such omission or failure, shall, upon conviction thereof, be punished by a fine of not more than $5,000 or by imprisonment for not more than two years, or both.

Willful violations of rules, regulations, orders, etc., punishable by fine.

(b) Any person who willfully and knowingly violates any rule, regulation, restriction, condition, or order made or imposed by the Commission under authority of this act, shall, in addition to any other penalties provided by law, be punished upon conviction thereof by a fine of not exceeding $500 for each and every day during which such offense occurs.

JURISDICTION OF OFFENSES; ENFORCEMENT OF LIABILITIES AND DUTIES

District Courts have exclusive jurisdiction of violations of act or of rules, regulations, and orders.

Venue in criminal proceedings.

Venue in civil cases.

Judgments, decrees subject to review as provided by Judicial Code.

SEC. 22. The District Courts of the United States, the District Court of the United States for the District of Columbia, and the United States courts of any Territory or other place subject to the jurisdiction of the United States shall have exclusive jurisdiction of violations of this act or the rules, regulations, and orders thereunder, and of all suits in equity and actions at law, brought to enforce any liability or duty created by, or to enjoin any violation of, this act or any rule, regulation, or order thereunder. Any criminal proceeding shall be brought in the district wherein any act or transaction constituting the violation occurred. Any suit or action to enforce any liability or duty created by, or to enjoin any violation of, this act or any rule, regulation, or order thereunder may be brought in any such district or in the district wherein the defendant is an inhabitant, and process in such cases may be served wherever the defendant may be found. Judgments and decrees so rendered shall be subject to review as provided

in sections 128 and 240 of the Judicial Code, as amended (U. S. C., title 28, secs. 225 and 347). No costs shall be assessed against the Commission in any judicial proceeding by or against the Commission under this act.

Costs cannot be assessed against Commission.

SEPARABILITY OF PROVISIONS

SEC. 23. If any provision of this act, or the application of such provision to any person or circumstance, shall be held invalid, the remainder of the act, and the application of such provision to persons or circumstances other than those as to which it is held invalid, shall not be affected thereby.

Separability of provisions.

SEC. 24. This act may be cited as the "Natural Gas Act."

Short title.

Approved, June 21, 1938.

APPENDIX

EXECUTIVE ORDER

[No. 8202]

AUTHORIZING AND REQUESTING THE FEDERAL POWER COMMISSION TO PERFORM CERTAIN FUNCTIONS RELATING TO THE TRANSMISSION OF ELECTRIC ENERGY BETWEEN THE UNITED STATES AND FOREIGN COUNTRIES AND TO THE EXPORTATION AND IMPORTATION OF NATURAL GAS FROM AND INTO THE UNITED STATES

By virtue of the authority vested in me as President of the United States, and as an aid in effectuating the provisions of the Federal Power Act, approved August 26, 1935 (49 Stat. 838), and the Natural Gas Act, approved June 21, 1938 (52 Stat. 821), I hereby authorize and request the Federal Power Commission (1) to receive all applications for permits for the construction, operation, maintenance, or connection, at the borders of the United States, of facilities for the transmission of electric energy between the United States and foreign countries, and for the exportation and importation of natural gas to or from foreign countries, and (2), after obtaining the recommendations of the Secretary of State and the Secretary of War thereon, to submit each such application to the President with a recommendation as to whether the permit applied for should be granted, and if so, upon what terms and conditions.

The Federal Power Commission may prescribe such regulations not inconsistent herewith as it may deem necessary or desirable for carrying out the provisions of this order.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE,
July 13, 1939.

INDEX

NATURAL GAS ACT

Section		Page
	Abandonment of facilities or service:	
7 (b)	Finding on	6
7 (b)	Hearing on	6
7 (b)	Permission for must be obtained	6
	Accounts (records, memoranda, etc.):	
8 (a)	Burden of proof re: accounting entry	8
8 (a)	Charge or credit in, Commission may suspend	8
8 (a)	Commission may classify	8
8 (b), (c)	Commission shall have access to	8
8 (b)	Duty of natural-gas company to furnish information on	8
8 (a)	Hearings on	8
8 (b)	Information obtained from books, records, etc., to be confidential subject to direction of Commission or court	8
8 (a)	Natural-gas company to make, keep, and preserve	7
8 (c)	Of persons controlling natural-gas companies	8
8 (a)	Records, etc., required by State law are to be kept	8
9 (b)	State commission to be notified and given opportunity to be heard before Commission prescribes rules or requirements as to accounts, etc	9
8 (a)	System of, Commission may prescribe	8
16	Terms, Commission may define	15
10 (b), 21	Willful obstruction to making, keeping, filing of, unlawful	10, 20
	Act:	
24	Citation of, as "Natural Gas Act"	21
20 (a), (b), 22.	Enforcement of	19, 20
21, 22	Punishment for violation of	20
23	Separability of provisions	21
20 (a)	Violation of provisions may be enjoined	19
14 (a)	Violation of provisions may be investigated	12
	Actions at law:	
22	Judgments in, subject to review	20
22	Jurisdiction of courts over	20
22	Venue in	20
6 (a)	Actual legitimate cost of property of natural-gas companies	6
	Additions to property:	
7 (a)	Commission may direct extensions, improvements	6
7 (c)	Requirement of certificate of convenience and necessity for additional facilities	7
6 (b)	Statement of cost of, to be filed with Commission	6
19 (b)	Additional evidence upon leave of court	18
14 (b)	Adequacy of gas reserves	12

Section		Page
7 (a), (c)	Adequate service	6
	Administration of act:	
20 (c)	Employment expenses incurred in	20
16	Powers of Commission in	15
14 (c)	Affirmations, Commission, etc., may administer	12
11 (c)	Agency of a State (*See* Municipality.): Agencies, other government, to assist Commission	11
16	Amendment of orders, rules, etc	15
9 (a)	Amortization (*See* Depreciation.): Commission may prescribe rates of	9
13	Answers to complaints	11
19 (a), (b)	Appeals: Court review of orders of Commission	17, 18
14 (d)	Appearance: Willful failure to appear and testify or answer, a misdemeanor	13
	Applications:	
7 (c)	For certificate of public convenience and necessity for construction or extension of facilities	7
16	Form of, may be prescribed by Commission	15
19 (a), (c)	For rehearing	17, 19
7 (b)	To abandon facilities or service	6
14 (d)	To enforce subpena	13
3	To export or import natural gas	2
	Approval by Commission:	
7 (b)	Of abandonment of facilities or service	6
7 (c)	Of construction or extension of facilities	7
3	Of export or importation of natural gas	2
	Ascertainment of cost of property:	
6 (a)	Actual legitimate cost, investigation of	6
6 (b)	Additions, betterments, etc	6
6 (a)	Depreciation therein	6
6 (a)	Investigation for rate-making purposes	6
6 (b)	Statement of original cost and inventory to be filed by natural-gas companies on request	6
	Association. (*See* Corporation.)	
18, 20 (c)	Attorneys: Appointment, employment of	17, 19
20 (a)	Attorney General: Reference of cases to, for institution of criminal proceedings	19
	Betterments. (*See* Additions.)	
4 (c)	Bond, Commission may require natural-gas company to give, if rates increased pending proceeding	4
	Books. (*See* Accounts, correspondence.)	
	Burden of proof:	
4 (e)	At hearing on increased rates or charges	5
8 (a)	In accounting matters	8
	Business Trust. (*See* Corporation.)	
	Capital:	
14 (b)	Inclusion in of delay rentals, etc	12
12	Officials of natural-gas companies not to pay dividends out of	11
10 (a)	Reports	10
	Certificate of public convenience and necessity:	
7 (c)	Application for in connection with construction or extension of facilities	7

Section		Page
7 (c)	Factors to be considered by Commission	7
7 (c)	Hearings on application for	7
7 (c)	Intention of Congress	7
7 (c)	When required	7
4 (d)	Change in rate, etc., upon 30 days' notice	3
	Charges. (*See* Rates.)	
	Circuit Court of Appeals:	
19 (b)	Decree or judgment on review of an order of Commission, subject to review by Supreme Court on certiorari or certification	18
19 (b)	Finding of Commission, if supported by substantial evidence, conclusive	18
19 (b)	Jurisdiction to affirm, etc., orders of Commission	18
19 (c)	Jurisdiction to stay Commission order	19
19 (b)	Petition for review of order, to be filed in	18
19 (b)	Review of orders, may grant leave to adduce additional evidence	18
	City (*See* Municipality.):	
2 (3)	Included in definition of "municipality"	2
5 (a)	May file complaint as to reasonableness, etc., of rate, etc.	5
13	May file complaint of violation of Act generally	11
18	Civil-service classification of employees	17
18	Classification Act of 1923	17
	Classifications:	
4 (c)	Affecting rates and charges, to be filed with Commission and kept open for public inspection	3
5 (a)	By natural-gas companies, Commission to determine whether just and reasonable, etc	5
4 (d)	Change in, 30 days' notice required	3
4 (c)	Contracts affecting, to be filed with Commission and kept open for public inspection	3
4 (e)	Lawfulness of, investigation and hearing thereon	4
8 (a)	Of natural-gas companies by Commission	8
16	Of persons and matters for rules and regulations	15
4 (e)	Suspension of	4
	Commerce. (*See* Interstate commerce, foreign commerce, exportation and importation of natural gas.)	
1 (b)	Commercial use of natural gas, jurisdiction of Commission	1
	Commission:	
16	Administrative powers of	15
15 (a)	Any member of, may hold hearings	14
18, 20 (e)	Authorized to appoint officers, attorneys, examiners, experts, employees	17, 19
14 (a)	Authorized to make public information	12
2 (9)	Defined	2
14 (c)	Depositions, may order testimony taken by	13
18, 20 (e)	Expenditures of	17, 20
	Investigations by. (*See* Investigations.)	
1 (a), (b), 5 (b)	Jurisdiction of	1, 5
8 (b)	Officers or employees of, not to divulge information	8
14 (c)	Officers or members of, empowered to administer oaths, subpena witnesses, etc	12

Section		Page
16	Orders, power to issue, make, etc	15
9 (b)	Rules and regulations for accounts, depreciation rates, etc., notice to State commissions	9
16	Rules and regulations, power to make, issue, etc	15
11 (c)	Services, records, etc., of executive departments and other agencies of Government to be made available to	11
8 (b)	Shall have access to accounts, etc., of natural-gas companies	8
17 (b)	To confer, cooperate with and hold joint hearings with State commissions, etc	16
17 (c)	To make data and reports available to State commissions, etc	16
11 (a), (b)	To make reports on State compacts to Congress, etc	10, 11
	Commissioner (*See* Commission.):	
2 (9)	Defined	2
14 (c), 15 (a).	May administer oaths and affirmations, subpena witnesses, compel their attendance, take evidence, require production of books, etc., hold hearings	12, 14
	Compensation of employees:	
20 (c)	Attorneys to be paid out of appropriation for Commission	20
18	Fixed in accordance with the Classification Act of 1923	17
15 (a)	Competitor, representative of, may be admitted as a party	15
	Complaints:	
13	Natural-gas companies notified of	11
5 (a)	Regarding unreasonableness, etc., of rates, etc	5
13	Satisfaction of, or answer in writing, by natural-gas company, Commission may require	11
13	State, municipality, or State commission may apply by petition to Commission	11
13	To state facts briefly	11
7 (a)	Connection of facilities of natural-gas company may be ordered by Commission	6
11 (a), (b)	Conservation of natural gas: State compacts	10, 11
	Construction:	
7 (c)	Of facilities, when certificate of public convenience and necessity required	7
6 (b)	Of new facilities, Commission to be informed of cost	6
14 (d)	Contempt of court for failure to obey court order requiring testimony or production of records before Commission	13
	Contracts:	
5 (a)	Affecting rates, charges, or classifications, subject to jurisdiction of Commission	5
4 (c)	Affecting rates, charges, or classifications, to be filed with Commission and kept open for public inspection	3
4 (d)	Change in, relating to rates, charges, classifications, prohibited unless on 30 days' notice, except by order of Commission	3
5 (a)	Reasonableness of, etc., where affecting rates, etc., to be determined by Commission	5
14 (b)	Royalty	12
8 (c)	Controlling interest: Books, accounts, memoranda, and records of, subject to examination	8

Section		Page
14 (d)	Contumacy, in case of, or refusal to obey subpena, Commission may invoke court aid	13
17	Cooperation with State commissions	16
	Coordination of facilities. (*See* Interconnection of facilities.)	
2 (2)	Corporation, defined	2
	Correspondence, papers, etc. (*See* also Accounts.):	
14 (c), (h)	Commission may compel production of	12, 14
8 (a)	Natural-gas company to keep and preserve	7
	Cost:	
6 (a)	Actual legitimate, of property of natural-gas company	6
10 (a)	Commission may require reports concerning, etc	10
6 (b)	Of additions, betterments, extensions, and new construction, Commission to be informed as to	6
5 (b)	Of production and transportation of natural gas where Commission has no authority to establish rate, determination of	5
6 (b)	Original statement of, by natural-gas company required (*cf.* Fair value)	6
2 (3)	County included in definition of "municipality"	2
	Courts (*see* District courts, Circuit Court of Appeals, District of Columbia Court of Appeals):	
20 (a)	Action to enjoin violation of act, rule, regulation, or order thereunder	19
14 (d)	Aid of, may be invoked in case of contumacy or refusal to obey subpena	13
21 (a), (b), 22.	Jurisdiction of, over offenses violative of act, rule, regulations, and orders thereunder	20
20 (b)	May issue mandamus to compel compliance with act, rule, regulation, and order thereunder	19
14 (d)	May order appearance of person before Commission, production of records	13
19 (a), (b), (c), 20 (a), (b), 22.	Court proceedings (*See* Actions at law, courts, court review, criminal proceedings.): Court review of Commission orders	17, 18, 19, 20
	Criminal Proceedings:	
20 (a)	Instituted by Attorney General	19
21 (a), (b), 22.	Jurisdiction as to	20
22	Venue in	20
16	Declaration, form of, to be prescribed by Commission	15
1 (a), 7 (c)	Declaration of policy of Act	1, 7
	Definitions:	
2 (9)	Commission	2
2 (9)	Commissioner	2
2 (2)	Corporation	2
2 (7)	Interstate commerce	2
2 (3)	Municipality	2
2 (5)	Natural gas	2
2 (6)	Natural-gas company	2
2 (1)	Person	2
2 (4)	State	2

Section		Page
2 (8)	State commission	2
14 (b)	Delay rentals, etc., inclusion of, in operating expense, etc	12
	Depositions:	
14 (e)	Any person may be compelled to appear and depose and produce documentary evidence	14
14 (e), (f)	Commission may order testimony taken by	13, 14
14 (c), (g)	Fees and mileage of witnesses making	13, 14
14 (e)	May be taken before any person authorized to administer oaths, not being of counsel, etc	13
14 (e)	Notice of taking	13
14 (e)	Reduced to writing and subscribed	14
14 (e), (f)	Testimony of witness may be taken by	13, 14
	Depreciation (amortization):	
9 (a)	Accounts, Commission may require	9
9 (a)	Charges for, to operating expenses, prohibited, except as prescribed	9
6 (a)	In property of natural-gas company, ascertainment and investigation of	6
9 (a)	Jurisdiction of State commission over rates of, not limited by provisions of act	9
9 (a)	Percentage of, prescribed by Commission	9
10 (a)	Periodic reports as to, may be required by Commission	10
9 (b)	Procedure of Commission on prescribing rules, etc., as to, notice to State commissions	9
9 (a)	Rates of, Commission may fix, etc	9
12	Director of natural-gas company, unlawful to benefit by any dealing in security issues of natural-gas companies or declare dividends, other than liquidating, out of capital	11
4 (b), 5 (a)	Discrimination in rates, services, etc	3, 5
	District courts of the United States:	
20 (a), 22	Action in, to enjoin violation of act, orders, etc	19, 20
22	Jurisdiction, over violations of act, orders, etc	20
14 (d)	Jurisdiction in case of contumacy, etc., to compel testimony, etc., before Commission	13
20 (b)	Mandamus, may issue on application of Commission to enforce compliance with act, orders, etc	19
2 (4)	District of Columbia, included in definition of "State"	2
19 (a), (b), (c).	District of Columbia Court of Appeals: Jurisdiction as to review of Commission orders. (*See* Circuit Court of Appeals.)	17, 18, 19
12	Dividends, payment of, from capital account unlawful	11
14 (d), (h)	Document, willful failure to produce, on subpena, penal offense	13, 14
1 (b)	Domestic use of natural gas, jurisdiction of Commission	1
18, 20 (c)	Employees, Commission authorized to appoint	17, 19
	Evidence:	
19 (b)	Additional, may be adduced before Commission on order of court	18
15 (a)	Any member of Commission, or the Commission or any representative designated by it may take	14
15 (b)	Technical rules of, not applicable at hearings, etc	15
18	Examiners: Appointment of, by Commission	17

Section		Page
11 (c)	Executive departments: Services, records, etc., of, to be availed of by Commission, and President may direct that they be made available	11
	Expenses:	
18, 20 (c)	Authorization for Commission's incurring, in connection with employment of officers, attorneys, etc	17, 19
17 (c)	Reimbursement of compensation and traveling expenses of Commission experts made available to State commissions as witnesses	17
	Experts:	
18	Commission authorized to appoint	17
17 (c)	To be available as witnesses to State commissions	16
	Exportation of natural gas:	
3	Application for order of Commission permitting	2
3	Commission can permit, only on finding it will be consistent with the public interest	2
3	Hearing thereon	2
3	Order may be conditional	2
3	Prohibited unless order of Commission obtained	2
3	Supplemental order	3
	Extension of facilities:	
7 (c)	Certificate of public convenience and necessity required for, under certain circumstances	7
7 (a)	Commission may order	6
6 (b)	Commission must be informed of cost of	6
	Facilities:	
7 (b)	Abandonment of, without approval of Commission, forbidden	6
7 (c)	Acquisition of, for transportation to market already served, etc., certificates of public convenience and necessity for	7
7 (c)	Construction of, certificate of public convenience and necessity for	7
7 (c)	Extension of, certificate of public convenience and necessity for	7
7 (a)	Extension of, may be ordered by Commission	6
7 (a)	Improvement of, may be ordered by Commission	6
7 (a)	Interconnection of, may be ordered by Commission	6
1 (b)	Jurisdiction of Commission over	1
7 (c)	New or additional, engaging in transportation by means of, certificate of public convenience and necessity required	7
7 (c)	Operation of, certificate of public convenience and necessity for	7
10 (a)	Periodic and other reports of cost of, cost of maintenance and operation, renewal, replacement, etc., Commission may require	10
17 (b)	State commissions to make their facilities available to Commission	16
4 (b)	Unreasonable difference in, preference, etc., prohibited	3
6 (a)	Fair value, of property of natural-gas company, Commission may investigate facts bearing on	6

Section		Page
20 (a)	Federal antitrust laws, apparent violations to be brought to attention of Attorney General	19
14 (a)	Federal Power Act: Commission authorized to publish information concerning any matter investigated, as authorized by section 312 of	12
	Federal regulation:	
1 (a)	Policy on which based	1
1 (a), (b), 3, 5 (b)	Extent of, under act	1, 2, 5
1 (a)	Federal Trade Commission report pursuant to S. Res. 83 (70th Cong., 1st sess.) as to policy behind act	1
14 (c), (g)	Fees paid to witnesses	13, 14
	Findings of fact by Commission:	
19 (b)	Conclusive if supported by substantial evidence	18
19 (b)	May be modified by reason of additional evidence ordered taken by reviewing court	18
	Fines:	
21 (a)	For willfully and knowingly violating act	20
21 (b)	For willfully and knowingly violating rule, regulation, condition or order	20
14 (d)	For willfully failing or refusing to attend and testify or produce books, etc	13
	Foreign Commerce:	
1 (a)	Declaration of policy	1
3	Regulation of exportation and importation of natural gas	2
	Forms:	
16	In general, Commission may prescribe	15
4 (c)	Regarding rates and charges, etc	3
10 (a)	Regarding special and periodic reports	10
	Gas. (*See* Natural gas.)	
14 (b)	Gas reserves, adequacy of, to be determined by Commission after hearing	12
1 (b)	Gathering of natural gas, jurisdiction of Commission does not extend to	1
	Hearings:	
15 (a)	Before whom held	14
17 (a)	By Joint Board	16
15 (b)	Informality in, not to invalidate order, etc	15
15 (a)	Interested parties, admission of as interveners	15
15 (a)	Interveners, who may be permitted to intervene in	15
17 (b)	Joint hearings with State commissions	16
8 (a)	On accounts, etc	8
19 (b)	On additional evidence adduced on order of court reviewing Commission order	18
3	On application for authority to export or import natural gas	2
7 (c)	On application for certificate of public convenience and necessity for extension, etc., of facilities	7
7 (b)	On application for leave to abandon facilities	6
9 (a)	On depreciation accounts requirements by Commission	9
7 (a)	On extension, improvement, of facilities requirement by Commission	6
4 (e)	On lawfulness of new schedule of rates, etc	4

Section		Page
15 (a)	Records of, to be kept	14
15 (b)	Rules and regulations for, Commission may prescribe	15
15 (b)	Technical rules of evidence not applicable at	15
14 (b)	To determine adequacy of gas reserves	12
5 (a)	To determine, etc., just and reasonable rates, charges, etc.	5
3	Importation of natural gas	2
14 (h)	Incrimination, self—of persons testifying	14
2 (l)	Individual, included in the definition of "person"	1
	Industrial use of gas:	
4 (e)	Commission may not suspend rate, etc., for	4
1 (b)	Subject to jurisdiction of Commission	1
15 (b)	Informality in hearing, etc., not to affect validity of order, etc.	15
	Information:	
17 (c)	Available to State commissions	16
5 (b), 6 (a), 8 (b), (c), 14 (a).	Commission may conduct investigations to obtain	5, 6, 7, 8, 12
10 (a)	Commission may require, as to assets and liabilities, capitalization, etc	10
11 (a), (b)	Commission shall assemble, etc., regarding State compacts	10, 11
11 (b)	Commission shall make public information regarding state compacts	11
6 (b)	Natural-gas company shall furnish, as to cost of additions, etc	6
8 (b)	Not to be divulged by member, etc., of Commission	8
14 (a)	Publication of, obtained in investigations, by Commission authorized	12
14 (d)	Willfully to fail to furnish, in obedience to a subpena, penal offense	13
10 (b)	Willfully to hinder, etc., filing of, is unlawful	10
20 (a), 22	Injunction to enjoin violation of act, etc. (See Courts and court proceedings.)	19, 20
1 (a), 7 (c)	Intention of Congress	1, 7
7 (a)	Interconnection of facilities, Commission may order, except where it would impair ability to render adequate service	6
	Interstate Commerce:	
2 (7)	Defined	2
1 (a), (b)	Jurisdiction of Commission as to	1
1 (b)	Sale of natural gas in, for resale for ultimate public consumption, jurisdiction of Commission as to	1
	Interstate transportation of natural gas:	
1 (a)	Affected with a public interest	1
1 (b)	Jurisdiction of Commission as to	1
	Interstate sale of natural gas for resale:	
1 (a)	Affected with a public interest	1
7 (c)	Intention of Congress as to rates for	7
1 (b), 4(a)	Jurisdiction of Commission as to	1, 3
6 (b)	Inventory of property, to be filed with Commission	6
	Investigations:	
14 (a)	Any person may file a statement concerning subject matter of	12

Section		Page
14 (a)	As basis for recommending legislation	12
20 (c)	Attorneys may be employed to aid Commission in	19
6 (a)	Authorized for rate making purposes	6
5 (b), 6 (a) 8, 14 (a).	Commission may order	5, 6, 7, 8, 12
5 (b), 17 (b)	Commission to cooperate with State commissions	5, 16
14 (c), (d), (e), (h).	Commission empowered to compel attendance, etc., of witnesses	12, 13, 14
15 (b)	Governed by rules of practice and procedure adopted by Commission	15
15 (b)	Informality in, shall not affect validity of order, etc	15
14 (a)	Information concerning, Commission may publish	12
6 (a)	Of actual legitimate cost of property, depreciation, fair value, and other facts	6
5 (b)	Of cost of production or transportation of natural gas	5
14 (a)	Regarding violations of act, orders, etc	12
15 (b)	Technical rules of evidence, not applicable	15
5 (b)	Regarding cost of production or transportation of natural gas where Commission has no authority to establish a rate	5
14 (d)	Willful failure to attend, etc., in obedience to subpena of Commission, penal offense	13
	Joint boards:	
17 (a)	Action by, force and effect of	16
17 (a)	Allowance of expenses for members	16
17 (a)	Appointment of members of	16
17 (a)	Composition of	16
17 (a)	Powers, duties, and liabilities	16
17 (a)	Proceedings before	16
17 (a)	Revocation of reference to	16
17 (b)	Joint hearings with state commissions, authorized	16
2 (2)	Joint-stock company, included in definition of "corporation"	2
22	Judicial proceedings (*See* Court proceedings.): Costs in, not to be assessed against Commission	21
	Jurisdiction:	
1 (a), (b), 7 (c).	General intent of Congress as to	1, 7
1 (b)	None, over any sales of natural gas other than in interstate commerce for resale for ultimate public consumption for domestic, commercial, industrial or any other use	1
1 (b)	None, over any transportation of natural gas other than in interstate commerce	1
1 (b)	None, over local distribution of natural gas or facilities used therefor or the production or gathering of natural gas	1
7 (b)	Over abandonment of facilities	6
6 (b), 7 (c)	Over additional facilities	6, 7
6 (b), 8 (a), (b), (c), 9 (a), (b), 10 (a), (b), 16.	Over accounts	6, 7, 8, 9, 10, 15

Section		Page
6 (a), (b)	Over ascertainment of actual legitimate cost	6
5 (b)	Over ascertainment of cost of production or transportation of natural gas by natural-gas companies where no authority to fix rate	5
6 (b), 7 (c)	Over construction of new facilities	6, 7
3	Over exportation and importation of natural gas	2
6 (b), 7 (a), (c).	Over extension of facilities	6, 7
7 (a)	Over improvement of facilities	6
7 (a)	Over physical interconnections	6
4, 5 (a), 6	Over rates and changes in rates	3, 4, 5, 6
4, 5 (a)	Over reasonableness of rates, etc	3, 4, 5
1 (b)	Over sales of natural gas in interstate commerce for resale for ultimate public consumption for domestic, commercial, industrial, or any other use, and over natural-gas companies engaged in such sale	1
1 (b)	Over transportation of natural gas in interstate commerce and over natural-gas companies engaged in such transportation	1
5 (a)	Just and reasonable rate	5
21 (a), (b)	Knowing and willful violations of act, rules, etc	20
14 (b)	Lease and royalty agreements with respect to gas reserves, filing may be required	12
1 (a), 7 (c)	Legislative intent	1, 7
1 (b)	Local distribution of natural gas or facilities therefor, act not applicable to	1
20 (b)	Mandamus, District courts of United States, etc., may issue, on application of Commission	19
8 (b)	Maps, furnishing of, by natural-gas company may be required	8
7 (c)	Market already served by another natural-gas company, certificate of public convenience and necessity required for construction or extension facilities into, etc	7
7 (c)	Market demands increased, in territory where natural-gas company operates, may be supplied by enlarged or extended facilities without certificate of public convenience and necessity	7
	Memoranda. (*See* Accounts.)	
14 (d)	Misdemeanor, for failure to obey subpena (*See* Penal provisions.)	13
	Modify:	
19 (b)	Power of appellate court to modify order of Commission	18
19 (b)	Power of Commission to modify its findings by reason of additional evidence	18
	Municipality:	
2 (3)	Defined	2
14 (a)	Information from Commission investigations to be made available to	12
4 (e)	May file complaint as to lawfulness of new rate, etc	4
5 (a)	May file complaint that any rate, etc., is unjust, unreasonable, etc	5
13	May file complaint of any violation of act	11

Section		Page
	Natural gas:	
1 (a)	Business of transporting and selling in interstate commerce for ultimate distribution to public, affected with public interest	1
2 (δ)	Defined	1
3	Exportation and importation of	2
1 (b)	Gathering of, act not applicable to	1
1 (b)	Local distribution of, and facilities used therefor, act not applicable thereto	1
1 (b)	Production of, act not applicable to	1
7 (c)	Sale of, in market already served by another natural-gas company	7
1 (b)	Transportation and sale for resale of, in interstate commerce, act applies to	1
1 (a)	Transportation and sale of, for ultimate distribution to the public is affected with a public interest	1
	(*See* Jurisdiction, rates, natural-gas company, etc.)	
	Natural-gas company:	
7 (b)	Abandonments of facilities by	6
8 (b), (c)	Accounts, etc., Commission shall have access to, duty to furnish information on	8
8 (a)	Accounts, etc., to be kept and preserved	7
8 (a)	Accounts, etc., system of, Commission may prescribe	8
6 (a)	Actual legitimate cost of property of	6
8 (a)	Commission may classify	8
2 (6)	Defined	2
9 (a)	Depreciation accounts, may be required by Commission	9
9 (a)	Depreciation rates of, Commission may fix, etc	9
6 (b), 7 (a), (c).	Extension of facilities by	6, 7
14 (b)	Gas reserves, adequacy of, may be determined by Commission	12
5 (b)	Investigation of cost of production or transportation of natural gas by, where Commission has no authority to fix rate	5
6 (b), 7 (a)	Improvement of facilities by	6
1 (b)	Jurisdiction of Commission over	1
8 (c)	Persons controlling, accounts, etc., of, subject to examination on order of Commission	8
7 (a)	Physical interconnection of facilities by	6
4 (a), (b), (c), (d), (e) 5 (a).	Rates, etc., of	3, 4, 5
10 (a)	To file annual, periodic, special reports	10
12	Unlawful for officer or director of, to benefit by security issue of, or pay dividends out of, capital	11
6 (b), 7 (a), (c).	New construction by natural-gas company	6, 7
	Notice:	
4 (d)	Of changes in rates, charges, etc., requirements as to	3, 4
13	Of complaint to natural-gas company	11
8 (a)	Of hearing on entry, charge or credit in accounts	8
7 (c)	Of hearing on application for certificate of public convenience and necessity	7

Section		Page
4 (e)	Of hearing on lawfulness, etc., of new schedules of rates, charges, etc	4
7 (a)	Of order to extend or improve facilities, etc	6
14 (c)	Of taking deposition	13
9 (b)	To State commission before prescribing rules, etc., as to accounts, depreciation, etc	9
	Oaths:	
14 (c)	May be administered by member of Commission or by officer designated by it	12
14 (c)	On deposition, any person authorized to administer	13
12	Officer of natural-gas company, unlawful for same to benefit by security issue of natural-gas company or pay dividend from capital	11
14 (d), 21 (a), (b).	Offenses violative of act, etc	13, 20
18	Officers, Commission has authority to appoint	17
	Operating expenses:	
9 (a)	Charges for depreciation to, not to be made except as prescribed by Commission	9
14 (b)	Delay rentals, etc., inclusion in	12
	Orders:	
16	Commission has power to make, issue, etc	15
19 (a), (b), (c).	Court review of	17, 18, 19
5 (a)	Determining, etc., just and reasonable rates, charges, etc	5
16	Effective date of	15
7 (a)	Extension or improvement of facilities	65
19 (b)	Findings of fact by Commission in, conclusive if supported by substantial evidence	1
9 (a)	Fixing rates of depreciation, etc	8
19 (b)	Jurisdiction to affirm, etc., in Circuit Courts of Appeals	19
4 (d), (e), 5 (a).	Making changes in existing rates	3, 4, 8
3	Orders on application for authorization to export or import natural gas	2
19 (c)	Rehearing on, application for, does not stay	19
19 (c)	Review of, petition for, does not stay	19
8 (c)	To examine accounts of persons controlling natural-gas companies	8
20 (a)	Violation of, Commission may sue to enjoin	19
14 (a)	Violation of, investigation of	12
21 (b)	Violation of, penalties	20
2 (2)	Organized group of persons, whether incorporated or not, within definition of "corporation"	2
6 (b)	Original cost of property, statement to be filed	6
15 (a)	Participation in proceedings by interested parties, etc	15
2 (2)	Partnership, included in definition of "corporation"	2
19 (a), (b)	Party, aggrieved, may apply for rehearing, review of order	17, 18
	Penalties:	
14 (d)	For willful failure to attend, etc., in obedience to subpena	13
21 (a), (b)	For violation of act, orders, etc	20
10 (a)	Periodic reports of natural-gas companies to Commission	10
14 (b)	Perjury in testifying in Commission proceeding punishable	14

Section		Page
	Persons:	
19 (a), (b)	Aggrieved by Commission order may apply for rehearing and appeal	17, 18
2 (1)	Defined	2
16	Classification of, by rules and regulations	15
14 (a)	Commission may permit filing information by, relating to investigations	12
8 (c)	Controlling natural-gas companies, accounts, etc., of, subject to examination on order of Commission	8
14 (d)	Court may order, to appear before Commission	13
14 (d)	Guilty of misdemeanor for failure to obey subpena	13
14 (a)	Investigation of violation of act, order, etc., by	12
14 (h)	Self-incrimination of	14
14 (d)	Service to process on, in proceeding to enforce subpena	13
	Petition:	
13	Complaint to Commission to be made by	11
19 (a), (b), (c).	For rehearing	17, 18, 19
19 (a), (b)	For review of Commission order	17, 18
7 (a)	Physical interconnection of facilities	6
2 (3)	Political subdivision or agency of State, included in definition of "municipality"	2
1 (a), 7 (c)	Policy, declaration of	1, 7
15 (a), (b)	Practice and procedure before Commission, rules and regulations as to	15
	Practices:	
5 (a)	Affecting rates, charges, etc., just and reasonable above, Commission may determine, etc	5
4 (c)	Affecting rates, charges, etc., to be filed and kept open for public inspection	3
14 (a)	Involving violation of act, etc., may be investigated by Commission	12
4 (b), 5 (a)	Preference or advantage, undue, forbidden	3, 5
4 (c)	Preference in hearing and decision by Commission on increase of rates	5
4 (b), 5 (a)	Preferences, undue, forbidden, etc	3, 5
11 (c)	President may direct services and facilities of other Government agencies to be made available to Commission	11
	Proceedings:	
17 (a)	Before joint boards	16
15 (a)	Commissioner or designated officer empowered to hold	14
22	Costs in court, not assessable against Commission	21
15 (b)	Informality in, not to affect order, etc	15
	(*See* Hearings.)	
14 (d), 22	Process (*See* Notice.): Service of	13, 20
	Public:	
11 (a), (b)	Commission to make information, regarding state compacts	10, 11
4 (d)	Notice to	3
14 (a)	Publication by Commission of facts developed by investigation	12
7 (b), (c)	Public convenience and necessity	6, 7

Section		Page
	Public inspection:	
4 (c), (d)	Rate schedules to be kept open to	3
16	Rules and regulations of Commission to be open to	15
	Public interest:	
3	Exportation and importation of natural gas permitted if consistent with	2
1 (a)	Federal regulation of matters relating to transportation of natural gas and the sale thereof in interstate and foreign commerce necessary in	1
7 (a)	Improvement and extension of facilities, etc., may be ordered by Commission if necessary or desirable in	6
7 (c)	Maintenance of adequate service in	7
	Rates:	
4 (e)	Burden of proof in cases involving increase in rates	5
4 (b)	Discrimination prohibited	3
4 (d)	Changes in, must be on notice to Commission and public unless otherwise ordered by Commission	3
4 (c)	Classifications, practices, etc., affecting, of natural-gas companies, to be filed and kept open for inspection	3
7 (c)	Congressional intention as to, in connection with certificate of public convenience and necessity	7
4 (c)	Contracts of natural-gas companies affecting, to be filed and kept open for inspection	3
5 (a)	Decrease in, Commission may order, if existing rates unjust, etc	5
9 (a), (b)	Depreciation	9
4 (d), (e), 5 (a).	Increase in	3, 4, 5
4 (e)	Increase in, Commission may order bond furnished to refund amounts ordered	4
4 (e)	Increase in, natural-gas company to keep accurate accounts of amounts received by reason of	4
6 (a)	Investigation of cost, depreciation, fair value for purpose of making	6
5 (a)	Just and reasonable, jurisdiction of Commission to fix, etc	5
4 (e)	Preference to cases involving increase in rates	5
4 (e)	Refund of increase in	5
4 (c)	Regulations, etc., of natural-gas company affecting, to be filed and kept open for public inspection	3
4 (a)	Shall be just and reasonable	3
4 (e)	Suspension by Commission of increase in, not to be made in case sale of natural gas for resale for industrial use only	4
4 (a)	Unlawful, if not just and reasonable	3
4 (b)	Unreasonable differences in and other preference and discrimination prohibited	3
2 (2)	Receiver, included in definition of "corporation"	2
9 (b)	Recommendations by State commissions as to rules and regulations as to accounts, etc	9
11 (a), (b)	Recommendations of Commission as to further legislation as to State compact, etc	10, 11
19 (b)	Record on appeal from Commission order	18

Section		Page
14 (c)	Records (*See* Accounts.): Commission may subpena	13
8 (b), (c)	Commission may examine	8
14 (d)	Court may order production of, etc., in case of contumacy or refusal to obey subpena	13
15 (a)	Of hearings shall be kept	14
17 (b)	Of State commissions may be availed of by Commission	16
11 (c)	Of executive departments and other agencies of the Government to be availed of by Commission	11
14 (d)	Refusal to produce in answer to subpena, a misdemeanor	13
10 (b)	Willful obstruction to making, filing, or keeping of, unlawful	10
4 (e)	Refunds of increased rates and charges	5
	Regulation:	
1 (a)	Federal, in matters relating to transportation and sale of natural gas in interstate and foreign commerce is necessary in the public interest	1
1 (b)	Federal, applies to transportation, sale for resale for public consumption, of natural gas, in interstate commerce, and to natural-gas companies so engaged	1
1 (b)	Federal, does not apply to local distribution, facilities for same, or to production or gathering of natural gas	1
3	Of exportation and importation	2
4, 5 (a)	Of rates and charges, etc	3, 4, 5
9 (a), (b)	Of rates of depreciation	9
8 (a)	Of system of accounts, records, etc	7, 8
	Regulations. (*See* Rules and regulations.)	
	Rehearing:	
19 (a)	Application for, contents of	17
19 (a)	Application for, effect on, of Commission's failure to act on within 30 days	17
19 (c)	Filing of application for, does not stay order	19
19 (a)	Time limit, to apply for	17
19 (a)	Who may apply for	17
1 (a)	Report of Federal Trade Commission pursuant to S. Res. 63 (70th Cong., 1st sess.)	1
	Reports:	
10 (a)	Annual, periodic, special, filing of, etc	10
11 (a), (b)	On State compacts, Commission to make to Congress	10, 11
10 (b)	Willful obstruction to making, filing, etc. unlawful	10
15 (a)	Representative of Commission may conduct hearings	14
15 (a)	Representative of interested consumers or security holders may be admitted as party in Commission proceedings	15
16	Rescission of orders, etc., by Commission	15
	Review of orders:	
19 (a)	Application for rehearing to precede petition for	17
19 (b)	Commission to certify and file transcript of record with court	18
19 (b)	Decree or judgment of court on, final, subject to review in Supreme Court of the United States	18
19 (c)	Filing petition for, does not stay order	19
19 (b)	Findings of fact by Commission, conclusive if supported by substantial evidence	18
19 (b)	Leave of court to adduce additional evidence required	18

Section		Page
19 (b)	Manner of procuring review by Supreme Court of the United States	18
19 (b)	Petition for	18
19 (c)	Petition for, does not stay Commission order unless specifically ordered by court	19
19 (b)	Petition for, to be served on any member of Commission	18
19 (b)	Time limit for applying for	18
19 (b)	Venue in proceedings for	18
17 (a)	Revocation of reference to Joint Board	16
14 (b)	Royalty contracts in connection with gas reserves	12
	Rules and regulations:	
9 (b)	Accounting, etc., State commissions to be notified and heard before Commission prescribes	9
8 (a)	Accounting, etc., Commission may prescribe	7, 8
4 (c)	Affecting rates, charges, etc	3
4 (a)	Applicable to rates and charges	3
17 (b)	As to joint hearings with any State commission	16
16	Classifications of matters and persons by	15
16	Commission has power to make, issue, etc., to carry out act	15
15 (b)	Conduct of hearings, Commission may prescribe for	15
9 (a)	Depreciation accounts, for	9
16	Effective date of	15
10 (a)	Filing reports, for	10
15 (b)	For hearings	15
15 (a)	For intervention in Commission proceedings	15
20 (b)	Mandamus to compel compliance with	19
7 (c)	On application for certificate of public convenience and necessity	7
16	Open for public inspection	15
20 (a)	Violations of, may be enjoined	19
14 (a)	Violations of, investigations to determine	12
21 (b)	Violations of, penalties for	20
15 (b)	Rules of evidence, technical, need not be applied in hearings	15
1 (b)	Sale of natural gas in interstate commerce for resale, jurisdiction of Commission	1
7 (c)	Sale of natural gas in a market already being served by another natural-gas company	7
	Schedules:	
5 (a)	Commission cannot order increase in rate unless in accord with filed	5
4 (d), (e)	New rates, hearing on, when effective, suspension of, etc	3, 4
4 (c)	Of rate, charges, etc., to be filed, open for public inspection	3
	(*See* Rates.)	
12	Securities: Officer or director of natural-gas company dealing in, of natural-gas company, unlawful	11
16 (a)	Security holders, representative of, may be admitted as a party in Commission proceeding	15
14 (b)	Self-incrimination, privilege against	14
23	Separability of provisions of act	21
	Services:	
7 (b)	Abandonment of, permission of Commission required	6

Section		Page
4 (d)	Change in	3
17 (b)	Commission may avail itself of State commission	16
4 (e), 5 (a), 13.	Complaints as to	4, 5, 13
4 (c)	Contracts, etc., of natural-gas company affecting, to be filed and kept open for public inspection	3
4 (b)	Discrimination, undue preference, etc., in, forbidden	3
7 (a)	Impairment of, by enlargement of transportation facilities and physical interconnections not to be ordered by Commission	6
17 (c)	Of expert witnesses, may be made available to State commissions	16
	State:	
2 (4)	Defined	2
8 (a)	Laws of, concerning accounts, etc., natural-gas company not relieved from compliance with	8
	State Commission:	
9 (b)	Commission shall notify, before prescribing rules and regulations for accounts, etc	9
17 (b)	Cooperation, services, records and facilities of, may be availed of by Commission	16
2 (8)	Defined	2
14 (a), 17 (c).	Information and reports of Commission, available to	12, 16
17 (b)	Joint hearings and conferences with, authorized	16
15 (a)	May be admitted as intervener	14
4 (e), 5 (a), 13.	May be complainant before Commission	4, 5, 11
5 (b)	May request investigation into cost of production or transportation	5
9 (a)	Rates, etc., of depreciation, jurisdiction over not limited by Federal jurisdiction	9
17 (c)	Use of Commission's experts as witnesses permitted	17
9 (b)	Views on rules and regulations for accounts to be considered	9
11 (a), (b)	State compacts, Commission to report on to Congress	10, 11
19 (c)	Stay of order of Commission	19
14 (f)	Stipulation as to person before whom deposition may be taken in a foreign country	14
	Subpena (Subpena duces tecum, etc.):	
14 (c), (d), (e).	Commission may issue, etc	12, 13, 14
14 (d)	Refusal to obey, a misdemeanor	13
3	Supplemental orders	3
19 (b)	Supreme Court, review of decrees and judgments by certiorari or certification	18
14 (b)	Surplus, inclusion in of delay rentals, etc	12
4 (e)	Suspension by Commission of schedule, rate, charge, etc., in new schedule	4
4 (e)	Suspension by Commission of rate, etc., for sale of natural gas for resale	4
8 (a)	Suspension of charge or credit	8

Section		Page
8 (a)	System of accounts to be kept by natural-gas companies may be prescribed by Commission	8
16	Technical terms may be defined by Commission	15
2 (4)	Territory of United States, organized, included in definition of "State"	2
19 (b)	Testimony (*See* Witnesses, deposition.): Transcript of record filed with court	18
1 (b)	Transportation of natural gas in interstate commerce, jurisdiction of Commission	1
4 (b)	Undue preference, etc., by natural-gas company prohibited	3
17 (c)	Valuation (*See* Ascertainment of cost of property, Fair value, etc.): Experts available to State Commissions as witnesses	17
	Venue:	
19 (b)	Court review of orders of Commission	17, 18
22	Generally, as to offenses and enforcement of act, orders, regulations, etc	20
20 (a)	Injunction	19
20 (b)	Mandamus	19
14 (d)	To proceed against contumacious witness, etc	13
	Violations:	
20 (a), 21 (a), (b), 22	Criminal proceedings for	19, 20
20 (a)	Of act, etc., Commission may sue to enjoin	19
21 (a)	Willful and knowing of act, penal offense	20
21 (b)	Willful and knowing, of Commission order, rule, etc., penal offense	20
10 (b)	Willful hindrance, delay or obstruction of making, etc., of information, etc., required by act, etc., unlawful	10
	Witnesses:	
14 (c)	Attendance of	12
14 (d)	Contumacy, etc., of	13
14 (c), (g)	Fees of	13, 14
14 (h)	Immunity of	14
14 (h)	Incrimination of, by testimony	14
14 (d)	Order of court compelling attendance, testimony, etc	13
17 (c)	Rate, valuation, experts available to States as	17
14 (d)	Refusal to appear, etc., in answer to subpena, misdemeanor	13
14 (c)	Subpena for	12
14 (e)	Testimony of, by deposition	13

FILE COPY

BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI, BY INDEPENDENT NATURAL GAS ASSOCIATION OF AMERICA, AMERICAN PETROLEUM INSTITUTE, INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA AND MID-CONTINENT OIL & GAS ASSOCIATION, AMICI CURIAE.

SUPREME COURT OF THE UNITED STATES

October Term, 1946.

No. 733.

INTERSTATE NATURAL GAS COMPANY, INCORPORATED, a Corporation, PETITIONER,

v.

FEDERAL POWER COMMISSION, LOUISIANA PUBLIC SERVICE COMMISSION, CITY OF NEW ORLEANS, LOUISIANA, CITY OF BATON ROUGE, LOUISIANA, RESPONDENTS.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE FIFTH CIRCUIT.

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December, 1946.

EASTWOOD PRINTING CO., 2031 CURTIS STREET, DENVER

SUBJECT INDEX.

	PAGES
Statement of Interest of Amici Curiae	1- 4
Jurisdiction on Review, Opinions below and Federal Statute Involved	4
Necessity for Judicial Review	4- 5
Question Discussed in this Brief	5
Statement of the Record Facts	5- 7
Order of the Commission	7- 9
Opinion and Judgment of Court of Appeals	10-12
Pertinent Provisions of Natural Gas Act	12-15
Development of Statutory Structure of Gas Act (1935-1938)	15-24
Argument	24-52
I. The Commission Theory of its Jurisdiction herein is without support in the Natural Gas Act	28-40
II. The Court of Appeals Concept of Commission Jurisdiction herein is not embodied in the Natural Gas Act	40-52
Conclusion	52-56

TABLE OF CASES.

	PAGES
Canadian River Gas Co. v. Federal Power Comm., 324 U.S. 581, 65 S.Ct. 829	10, 11, 20, 51, 53, 54
Canadian River Gas Co., 3 F.P.C. 32; 43 P.U.R. (n.s.) 205	25, 35
Cities Service Gas Co. v. Federal Power Comm., 155 F. (2d) 694	51
Colorado-Wyoming Gas Co. v. Federal Power Comm., 324 U.S. 626, 65 S.Ct. 850	42
Columbian Fuel Corp., 2 F.P.C. 200; 38 P.U.R. (n.s.) 3	34
Connecticut L. & P. Co. v. Federal Power Comm., 324 U.S. 515, 65 S.Ct. 749	8, 14, 17, 29, 37, 49, 51
Connecticut L. & P. Co., 3 F.P.C. 132; 43 P.U.R. (n.s.) 170	30
Detroit v. Panhandle Eastern Pipe Line Co., 3 F.P.C. 273, 45 P.U.R. (n.s.) 203	25
Federal Power Comm. v. Natural Gas Pipe-Line Co., 315 U.S. 575, 62 S.Ct. 736	39
Illinois Natural Gas Co. v. Cent. Ill. Public Service Co., 314 U.S. 498, 62 S.Ct. 384	38, 39
Ingelo, Director, etc. v. Morf, 300 U.S. 290, 57 S.Ct. 439	39
Interstate Natural Gas Co. v. Federal Power Comm., 3 F.P.C. 416; 48 P.U.R. (n.s.) 267; 156 Fed. (2d) 945	4
Interstate Natural Gas Co. v. Louisiana Public Service Comm., 33 F. Supp. 50; 34 F. Supp. 980	38
Kentucky Natural Gas Corp. v. Public Service Comm., 28 F. Supp. 509; 119 F. (2d) 417	39, 41

TABLE OF CASES (CONTINUED).

	PAGES
Missouri v. Kansas Gas Co., 265 U.S. 298, 44 S.Ct. 544	10, 11, 39, 40, 41, 42, 43, 49, 50
Mississippi River Fuel Corporation, F.P.C. 1945, Docket No. G-462	26
Mississippi River Fuel Corporation, 2 F.P.C. 170; *34 P.U.R. (n.s.) 8; 121 F. (2d) 159*	3, 26
Natural Gas Pipeline Co. and Texoma Natural Gas Co., 2 F.P.C. 218; 35 P.U.R. (n.s.) 41	25
Panhandle Eastern Pipe Line Co., 3 F.P.C. 273; 45 P.U.R. (n.s.) 203	39
Panhandle Eastern Pipe Line Co. *v.* Federal Power Comm., 324 U.S. 635, 65 S.Ct. 821	8, 14, 27, 51
Peoples Natural Gas Co. v. Federal Power Comm., 127 F. (2d) 153	26, 38, 41, 49
Public Utilities Comm. v. Attleboro Steam & Electric Co., 46 R.I. 496, 129 Atl. 495	44-46, 49
Public Utilities Comm. v. Attleboro Steam & Electric Co., 273 U.S. 83, 47 S.Ct. 294	10, 11, 26, 39, 41, 44-46, 47, 48, 49, 50
Republic Oil Company, 2 F.P.C. 1004	34
Roland Electrical Co. v. Walling, ——U.S. ——, 66 S.Ct. 413	15
Sinclair Prairie Oil Co., 2 F.P.C. 1009	34
Southern Natural Gas Co., 3 F.P.C. 822, 1023	3
Southern Pacific Co. v. Interstate Commerce Comm., 219 U.S. 433, 31 S.Ct. 288	11, 54
United Gas Pipe Line Co., 3 F.P.C. 402	3

TABLE OF CASES (CONTINUED).

	PAGES
United States v. American Trucking Associations, 310 U.S. 534, 60 S.Ct. 1059	17
United States v. Chicago, M., St. P. & P. R. Co., 294 U.S. 499, 55 S.Ct. 462	14
United States v. Dickerson, 310 U.S. 554, 60 S.Ct. 1034	17
United States v. Pink, 315 U.S. 203, 62 S.Ct. 552	11, 55

STATUTES.

Fair Labor Standards Act (1938), 52 Stat. 1060, 29 U.S.C.A. 201	15
Judicial Code, Section 347(a) (Sec. 240 amended)	4
National Labor Relations Act (1935), 49 Stat. 449, 29 U.S.C.A. 151	15
Natural Gas Act (1938), 52 Stat. 821, 15 U.S.C.A. 717.	
Section 1(a)	4, 12
Section 1(b)	4, 12, 14, 17, 19, 23, 54, 55
Section 2(6)	12
Section 2(7)	12
Section 19(b)	4, 12
Power Act (1935), 49 Stat. 838, 16 U.S.C.A. 792.	
Section 201(b)	17, 19, 23
Pubic Utility Holding Company Act (1935), 49 Stat. 803, 15 U.S.C.A. 79a	16-17

LEGISLATIVE BILLS AND CONGRESSIONAL COMMITTEE HEARINGS.

	PAGES
H.R. 5423 (1935)	17, 18, 19, 20
S. 1735 (1935)	17, 18, 19
H.R. 11,662 (1936)	17, 21
H.R. 4008 (1937)	22, 41
H.R. 5711 (1937)	22
H.R. 6586 (1937)	19, 41

MISCELLANEOUS.

Address, General Counsel, Federal Power Commission, before Oil Compact Commission, June 15, 1945	33

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This brief is presented by Independent Natural Gas Association of America, American Petroleum Institute, Independent Petroleum Association of America and Mid-Continent Oil & Gas Association, *Amici Curiae*, with consent of all parties as authorized by paragraph 9 of Rule 27 of this Court.

STATEMENT OF INTEREST.

Independent Natural Gas Association of America, a corporation, represents in its membership a large number of persons and corporations engaged in the production and gathering of natural gas and the transportation and sale

thereof. The gas so produced, gathered or transported, is sold in the state of origin, or in other states, to others for resale, immediately after the production thereof or after the transportation thereof, interstate or intrastate. This Association has a membership of approximately 1700, in twenty-three states, including all the natural gas-producing states and most of the natural gas-consuming states. Such membership includes producers, transporters, land owners, royalty owners, natural gas companies under the Act, consumers and others. It is representative of all phases of the natural gas industry, including production, transportation, sale and consumption.

American Petroleum Institute, a corporate organization, represents generally and extensively all branches of the oil and gas industry. Its membership, consisting of about 5,000 members of the industry, reaches into every state of the Union and includes producers of crude petroleum and natural gas, refiners of petroleum and its products, extractors of natural gas gasoline, transporters of crude petroleum, its products and natural gas through pipelines, owners of oil and gas royalties, land owners, and many others engaged in one or more branches of the oil and gas industry.

Independent Petroleum Association of America, a corporation, is a national association of independent producers, transporters and refiners of crude petroleum and natural gas, land owners, owners of oil and gas royalties, and others engaged in some one or more activities connected with the oil and gas industry. Every oil and gas producing state in the nation is represented in the Association, the membership of which is in excess of 6,000.

Mid-Continent Oil & Gas Association, unincorporated ~~a corporation~~, is an oil and gas trade association, with more than 3,000 members, representing and serving all branches of the petroleum and related businesses, and particularly a majority of the oil and gas producers in the states of Kansas, Oklahoma, Texas, New Mexico, Arkansas, Louisiana, Mississippi and Alabama.

These four nation-wide organizations together represent all branches and virtually all units of the oil and gas industry throughout the United States.

Because of the very close inter-relation in the discovery, production, transportation and sale of oil and natural gas, members of the foregoing organizations, aggregating more than 15,000 in number, and particularly the natural gas production by thousands of producers who sell their production *locally*, directly or indirectly, to interstate pipelines subject to the regulatory authority of the Federal Power Commission, all are actually affected by and seriously involved in the jurisdictional question here at issue.

Such issue arises from the assertion and exercise by the Commission, with the approval of the Court below, of rate-regulatory "jurisdiction" over the production, gathering, outright sales and completed deliveries of natural gas by petitioner, Interstate Natural Gas Company, *all* of which activities and transactions are fully consummated *locally* in the state and in the field of origin of such gas, the Monroe Field, Louisiana. The purchasers of such gas are three separate and independent interstate pipeline companies, each of which is a "natural gas company" under the Natural Gas Act and regulated as such by the Commission as to the subsequent sales for resale in other states by each of them, respectively, of the gas so *locally* purchased from petitioner and others.[1]

The declared legal foundation of this asserted jurisdiction exercised herein by the Commission rests on the assumed fact that natural gas "moves * * * in a constant flow from the mouths of the wells" where produced to its ultimate destination. According to the Commission, *even after outright local sale and absolute delivery thereof by the producer or gatherer in the field of production*, if such gas thereafter enters, through the separate and independent facilities and operations of the purchaser or others, into the so-called "flow" or "current" of commerce for resale beyond the borders of the state of production, then *the local vendor of such gas*, whether he be the producer or gatherer thereof, is subject to Commission rate-regulatory authority under the Gas Act *(R. V. 1, pp. 82-83)*. That this concep-

1. Re United Gas Pipe Line Co., 3 F.P.C. 402; Re Mississippi River Fuel Corp., 2 F.P.C. 170, 34 P.U.R. (n.s.) 8, 121 F. (2d) 159; Re Southern Natural Gas Co., 3 F.P.C. 822, 1023.

tion of jurisdiction under the Gas Act is both novel and far-reaching, there can be no slightest doubt. Such, nevertheless, is the jurisdictional issue herein joined. The existence of any such authority is not disclosed in the terms or provisions of the Gas Act. On the contrary, such authority is withheld, if the statute means what the language thereof imports and declares. The question has not been presented in any other case. This Court as yet has had no occasion either to consider or to determine it.

JURISDICTION ON REVIEW, OPINIONS BELOW AND FEDERAL STATUTE INVOLVED.

The jurisdiction of this Court is invoked under *Section 347(a) (Section 240, amended) of the Judicial Code (U.S. C.A., Title 28, Section 347(a)); Section 19(b) of the Natural Gas Act (52 Stat. 821; 15 U.S.C.A., Sec. 717r(b)) and Rule 38 of this Court.*

Review on certiorari is sought of the judgment of the Circuit Court of Appeals for the Fifth Circuit *(R. V. 2, pp. 910-948)* affirming a rate reduction order of the Commission *(R. V. 1, pp. 81, 93, 100)* directly applicable to and regulating the price of the *local* "field" sales of natural gas made by petitioner to the pipeline companies aforesaid.

The opinion of the Court of Appeals, Judge Waller dissenting *(R. V. 2, pp. 910-918, 919-927)*, is reported in 156 Fed. (2d) 945. The opinion of the commission *(R. V. 1, pp. 57-80)* is reported in 3 F.P.C. 416, 48 P.U.R. (n.s.) 267.

The statute involved is the Natural Gas Act (52 Stat. 821; 15 U.S.C.A., Sec. 717) and particularly Section 1 thereof, set forth and discussed *infra*.

NECESSITY FOR JUDICIAL REVIEW.

This case is not merely a lawsuit by the petitioning litigant. Here is an issue undetermined by this Court of great "gravity and general importance" involving the meaning attributed to and the application made of a federal statute by a federal administrative agency and by a federal circuit court of appeals, which meaning and application probably, if not certainly, is in conflict with such federal statute. Such

a situation discloses an ample, an impressive and a "special and important" reason which justifies and requires the consideration, the review and the determination thereof by this Court in the normal exercise of a "sound judicial discretion."

QUESTION DISCUSSED IN THIS BRIEF.

The position of *Amici Curiae* upon the facts in this record and the law properly applicable thereto is:

The "field" sales of natural gas made and entirely completed, *locally* in the Monroe Field in the State of Louisiana, by the Interstate Company to the three separate and independent pipeline companies, are not subject to Commission-regulatory jurisdiction under the Gas Act.

STATEMENT OF THE RECORD FACTS.

The uncontroverted facts established by the evidence relevant to the jurisdictional issue herein joined are:

Interstate Natural Gas Company, referred to as "Interstate Company," purchases, produces and gathers substantial quantities of natural gas in the Monroe Field in Louisiana, a portion of which gas is sold and delivered by it to each of three interstate pipeline companies, to-wit, Mississippi River Fuel Corporation, Southern Natural Gas Company, and United Gas Pipe Line Company for the account of Memphis Natural Gas Company *(R. V. 1, pp. 81-83; R. V. 2, pp. 792, 807)*. The natural gas sold to each of such pipeline companies is sold and delivered by Interstate Company within the Monroe Field, Louisiana, at natural field pressures which are substantially below the pressures required for interstate transportation by the three purchasing pipelines *(R. V. 2, pp. 799, 802-3, 806)*. Such natural gas is so sold and delivered by Interstate Company under contract with each of the three pipeline companies. Such contracts and other record evidence disclose that each of the three pipeline companies, after *local* "field" purchase by and delivery to it of such gas, after compression thereof by it and after interstate transmission by it, thereafter in states other than Louisiana sells the gas so purchased to sundry distri-

buting companies for resale by them for ultimate consumption *(R. V. 2, pp. 796-797, 801, 804)*. Each of such contracts stipulates a long-term commitment of sale and purchase in the Monroe Field of production *(R. V. 2, pp. 797, 801, 804)*, thus establishing a continuous course of business between Interstate Company and the three pipeline companies.

Each of the three pipeline companies extended its pipeline transmission system to and into the Monroe Field to receive deliveries in that field of natural gas there *locally* sold and delivered to and purchased by it. Each of the three pipeline companies, at the terminus of its pipeline system in the Monroe Field, also purchases natural gas from producers and gatherers of natural gas other than the Interstate Company, to-wit, Southern Carbon Company and United Carbon Company, *which companies do not own or operate any interstate pipelines or other interstate facilities*, and United Gas Pipe Line Company, one of whose nuinerous pipelines is extended into the Monroe Field. Such purchases from companies other than Interstate Company constitute more than 75 per cent of the "field" purchases in the Monroe Field by each of the three pipeline companies *(R. V. 2, p. 794)*. Furthermore, the deliveries of natural gas by such other selling companies are made to each of the three pipeline companies, respectively, at points virtually identical with the points of delivery of natural gas sold by Interstate Company to such pipeline companies *(Exhibits 6, 43, R. V. 2, pp. 554, 599)*.

Upon metering, *all* the gas so *locally* purchased from and delivered to each of the three pipeline companies by Interstate Company and other vendors in the "field" is commingled by the purchasing pipeline company.

Thereupon, each of the three pipeline companies immediately thereafter, in its own compressor station, compresses (first, through a low-stage unit and again through a high-stage unit) the then commingled gas under high pressures sufficient and adequate to prepare or package it for, and to effectuate, the subsequent interstate transportation thereof by such pipeline company *(R. V. 2, pp. 577-581, 586-598, 619-620)*.

After metering and delivery, there is no evidence, and it is not contended, that Interstate Company has any responsibility for, control over or interest or concern in said gas, its interstate transportation or the subsequent sale or disposition thereof. *In such operations, activities and transactions of the three purchaser pipeline companies, Interstate Company is not a participant in any sense or in any degree at any time.*

Interstate Company, in so far as the sales here in question are concerned, neither owns, operates nor participates in the operation or business of any pipeline crossing the Louisiana boundary. In fact, none of its lines here involved extend outside of the boundaries of the Monroe Field. Admittedly, all such sales and deliveries are made and completed *locally* in the Monroe Field, Louisiana.

THE ORDER OF THE COMMISSION.

All of the jurisdictional findings and conclusions of the Commission material to this issue of Commission-regulatory jurisdiction are:

That "Interstate, as an established course of business, is engaged in the transportation, sale and delivery of natural gas purchased, produced and gathered in the Monroe Field, Louisiana", to the three pipeline companies in question "*at a point near Perryville in the State of Louisiana*" and "*at a point near Guthrie in the State of Louisiana.*" Each "point" of sale and delivery is in the "Monroe Field, Louisiana" *(R., V. 2, p. 911).*

That "the natural gas * * * that is sold and delivered" *locally* in the Monroe Field, Louisiana, to the three pipeline companies "is sold and delivered by Interstate, in each instance," under contracts which disclose that the gas so sold and delivered by Interstate Company and purchased and received by the respective pipeline companies thereafter is to be transported by each of such pipeline companies out of the State of Louisiana, and subsequently in other states sold by each of such pipeline companies to sundry distributing companies for resale, for ultimate public consumption in such states other than Louisiana.

That "the natural gas * * * that is sold and delivered *locally* in the Monroe Field, Louisiana, by Interstate Company to the three pipeline company purchasers "moves in each instant in a constant flow from the mouths of the wells from which it is produced through pipelines belonging to Interstate, to the compressor station of the respective purchaser, and thence through said compressor stations into the pipeline of said respective purchaser and thus into and through states other than Louisiana * * *, all without interruption, and said gas is so destined from the moment of its production" *(R. V. 1, pp. 82-83)*.

Based upon the foregoing findings and conclusions numbered (7), (8) and (9) *(R. V. 1, pp. 82-83)*, the Commission, in its so-called "finding" numbered (10), declared by way of legal conclusion: "The transportation and the sale of natural gas" by Interstate Company locally in the Monroe Field, Louisiana, to the three several interstate pipelines "is, in each instance, the transportation and sale *in* interstate commerce of natural gas for resale for ultimate public consumption * * * and, therefore, subject to the jurisdiction of the Commission" under the Natural Gas Act *(R. V. 1, p. 83)*.

It is significant in this discussion, as will later appear, that the conclusion of law of the Commission (finding No. 10) is made wholly without regard to and independently of the fact that the Interstate Company is in fact a "natural gas company" under the Act, because of other activities and operations of the Company not connected with the sales herein under consideration, to-wit, the transportation and sale of natural gas in interstate commerce for resale, through its interstate transmission pipeline system extending from its De Siard Compressor Station in Monroe Field to and through a portion of the State of Mississippi to Baton Rouge, Louisiana *(R. V. 1, pp. 81-82)*. Neither the Commission nor the Court of Appeals based, or could base, jurisdiction herein on such other regulable and regulated activities and operations. *Panhandle Eastern Pipe Line Co. v. Federal Power Comm.*, 324 U.S. 635, 65 S.Ct. 821, 825; *Connecticut L. & P. Co. v. Federal Power Comm.*, 324 U.S. 515, 65 S.Ct. 749.

The asserted jurisdiction of the Commission exercised herein thus is predicated *solely* upon the assumed legal theory that by reason of the physical fact of "the constant flow" of gas "from the mouths of the wells" through connecting pipelines owned, controlled and operated by others, ultimately "into and through states other than Louisiana," for resale the *local* producer, gatherer and vendor of such gas is engaged *as a matter of law* in "the transportation and sale *in* interstate commerce of natural gas for resale," under the Act. This Commission theory of jurisdiction was applied here even though *in fact all the* activities, operations and transactions participated in by such producer or gatherer, the Interstate Company, are local to and fully performed and carried out in the state and field of production, the Monroe Field, Louisiana.

Under this "constant flow" theory of jurisdiction, *every* local producer or gatherer of gas, of which there are thousands, whose production or any part thereof, through interconnection of facilities, enters directly or indirectly into the interstate pipeline facilities of a "natural gas company," by virtue of that fact also becomes a "natural gas company," subject to Commission rate-regulatory control. And this is true whether such producer or gatherer knows or does not know that the gas produced by him "is destined" by the purchaser thereof for "transportation and sale in interstate commerce * * * for resale."

It is entirely clear, as is developed *infra*, from the structure of the jurisdictional provisions of the Gas Act, as well as of the parallel provisions of the Power Act, and from the entire legislative history of federal regulation of interstate gas and electric utilities, that Congress did not intend to adopt, and did not adopt, in such Acts any such sweeping standard of "interstate commerce." In fact the all inclusive concept of jurisdiction now asserted by the Commission in this case, deliberately was rejected by Congress in the enactment by it of each of said Acts, *although embodied expressly in the Commission drafted and sponsored legislative bills.*

THE OPINION AND JUDGMENT OF THE COURT OF APPEALS.

The Court of Appeals did not accept, and evidently could not accept, the Commission theory of "constant flow from the mouths of the wells" through connecting pipeline facilities ultimately "into and through states other than Louisiana," as the sufficient and lawful foundation for the regulatory authority actually exercised by the Commission over the local "field" operations, properties and sales of Interstate Company here involved. The Court was entirely silent with respect to such jurisdictional "findings" of the Commission.

That Court nevertheless upheld the Commission order on the broad generalization "That they (the local field sales here in question) are sales *in* interstate commerce, we think is settled by the authorities," and therefore "are within its (the Act's) purview." This view the Court several times repeated and on each occasion cited generally the cases of *Missouri v. Kansas Gas Co.* (1924), 265 U.S. 298, 44 S.Ct. 544, 68 L.Ed. 1027; *Public Utilities Commission v. Attleboro Steam & Electric Co.* (1927), 273 U.S. 83, 47 S.Ct. 294, 71 L.Ed. 549. It made no attempt, however, to show that the facts of this record, or any Commission finding, made the principles of law therein declared applicable to this case.

Strangely enough, after declaring "it (the Act) used language removing from any doubt that the Commission was not to have jurisdiction over *properties* used for production * * * or the activities of production and gathering" *(R. V. 2, p. 915)*, the Court of Appeals sought support for its own conclusions from the opinion of Mr. Justice Douglas in the *Canadian River Gas Company* case, 324 U.S. 581, 602-603, 65 S.Ct. 829, 839, where the contrary is specifically declared, to-wit: that the Commission did have jurisdiction over the production and gathering *properties and facilities* because "No exclusion of property used or useful in production of natural gas was made" in the statutory denial of

jurisdiction to the Commission over "the production or gathering of natural gas."[2]

Thus, to the uncontroverted facts the Commission added the legal concept of "constant flow from the mouths of the wells" through connecting but wholly independent facilities of others into the channels of interstate commerce *(R. V. 1, pp. 82-83)*, in order to fashion the purely "local" field sales of petitioner as being "*in interstate commerce*," as that term in *Section 1(b)* of the Act was construed by the Commission.

To the same facts the Court of Appeals added factual assumptions, unsupported by the record or Commission findings and the legal concepts of (1) a *single* interstate enterprise and operation, which is the *Kansas Gas Company* case, and (2) an affiliated interstate enterprise and operation, which is the *Attleboro Steam & Electric Company* case *(R.*

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2. This Court disposed of the Canadian River Gas Company case, supra, by three divergent opinions in which the alignment of the Court was five to four that the Commission does not have jurisdiction over "any direct regulation of that activity." The same opinions, on the basis of eight to one, recognized that "reflecting the production and gathering facilities in the rate base" in fact was the exercise of direct regulation of that activity.

If any "authoritative determination" of "the principles of law involved" was made through "agreement by a majority of the Court" in that case, it was that the Commission does not possess the jurisdiction of "direct regulation over that activity" and that "reflecting the production and gathering facilities in the rate base" was the exercise of direct regulation. Otherwise "the lack of an agreement by a majority of the Court * * * prevents it (the decision in the Canadian case) from being an authoritative determination for other cases." (United States v. Pink, 315 U.S. 203, 62 S.Ct. 552)

In Southern Pacific Co. v. Interstate Commerce Comm., 219 U.S. 433, 31 S.Ct. 288, 290-291, this Court quickly disposed of the fiction that by labelling the act of regulation as something else and less, it ceased to be regulation. Chief Justice White, speaking for the entire Court, brushed aside the contention that the Commission had "simply taken into consideration," as claimed, "some of the elements proper to be considered in the ultimate exertion of the lawful power to forbid an unjust and unreasonable rate and fix a reasonable one." Thereupon this Court applied the true test, that the nature and character of its order determined the substance of the power which the Commission undertook to exert in making such order.

Here, precisely the same regulatory control, procedure and order were applied to the production and gathering properties and to the local business of Interstate Company as to the admittedly regulable properties and business (R. V. 1, pp. 81-86). Regulation is regulation by whatever name it may be designated.

V. 2, pp. 914, 915, 917, 918), in order to bring the purely "local" field sales of petitioner within the term "in interstate commerce," as that Court construed the language of *Section 1(b)* of the Act.

The two concepts—that is, of the Commission and of the Court of Appeals—are different and divergent both in theory and in application.

This brings us to an examination of the authority granted to and withheld from the Commission by Congress in the Natural Gas Act.

THE PERTINENT PROVISIONS OF THE NATURAL GAS ACT.

The Gas Act,[3] so far as here material, provides:

Section 1(a). "* * * Federal regulation in matters relating to the transportation of natural gas and the sale thereof *in interstate* * * * *commerce* is necessary in the public interest."

Section 1(b). "The provisions of this Act shall apply to the *transportation* of natural gas *in interstate commerce"* and "to the *sale in interstate commerce* of natural gas for resale * * *."

"The provisions of this Act * * * *shall not apply to any other* transportation or sale of natural gas" or "to the production or gathering of natural gas."

Section 2(6). "'Natural gas company' means a person *engaged in* the *transportation* of natural gas *in interstate commerce*, or the *sale in interstate commerce* of such gas for resale."

Section 2(7). "'Interstate commerce' means commerce between *any point in a State and any point outside thereof* * * *."

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3. 52 Stat. 821; 15 U.S.C.A. 717, et seq.

Section 19(b) of the Act provides in part:

"* * * The judgment and decree of the court, affirming, modifying, or setting aside, in whole or in part, any such order of the Commission, shall be final, subject to review by the Supreme Court of the United States upon certiorari or certification as provided in sections 239 and 240 of the Judicial Code, as amended (U.S.C., title 28, secs. 346 and 347)."

The inquiries here are:

What activities did Congress, by the language "*in* interstate commerce," intend to and actually regulate by the Act?

What persons did Congress, by that phrase, intend to and actually subject to Commission regulatory authority under the Act?

At the outset, it is to be observed that: The Act which is regulatory, not prohibitory, does not purport to embrace the whole of the very wide area of federal constitutional authority over "interstate commerce" and all the ramifications thereof. "Interstate commerce," which is not measured by or confined to "interstate transportation" or "interstate sale," is a concept and term of far-reaching and large significance. The exceedingly broad jurisdiction of the Congress over that subject matter is not here in issue. The sole question here is, what is the ambit of the admittedly limited and restricted authority which Congress, by the Gas Act, delegated to the Commission?

The total coverage of the Act, that is, all "the provisions of this Act," specifically is restricted to the activities of "transportation" and "sale" and definitely confined, as to such activities and the persons engaged therein, to those which are "*in interstate commerce.*" Congress expressly so limited the federal regulation authorized.

The Act expressly excludes "*any other transportation or sale*" as well as "*production or gathering*" from the purview of its provisions.

The Act contains no grant of authority over "production or gathering" or any other activities except transportation and sale "*in interstate commerce.*"

The Act is silent as to activities "affecting" or "obstructing" interstate commerce or persons engaged in such activities.

The Act is silent with respect to "the production of goods for commerce."

The Act is silent as to the "flow of commerce" or the

"current of commerce" as a foundation of Commission jurisdiction.

The Act affirmatively defines a "natural gas company" as a person engaged in the transportation or sale of natural gas *"in interstate commerce."*

The Act identifies the activities constituting, and the persons engaged in, "commerce between any point in a state and any point outside thereof," by the limiter *"in interstate commerce."*

The jurisdiction of the Commission, whatever its reach, is conferred and limited by the Congressional grant of authority in the controlling Gas Act. It is elementary that jurisdiction of a statutory agency over a subject matter cannot be created otherwise. There is no presumption at any time or in any court which can support or validate the exercise of a non-existent jurisdiction *(Panhandle Eastern Pipe Line Co. v. Federal Power Comm.,* 324 U.S. 635, 65 S.Ct. 821, 823). Moreover, the jurisdiction of a statutory agency such as the Federal Power Commission must appear affirmatively. Its order is void unless supported by findings of the basic facts conditioning its power *(United States v. Chicago, M. St. P. & P. R. Co.,* 294 U.S. 499, 504-505, 55 S.Ct. 462, 465).

The "shall not" provisions of the Act mean "shall not." They constitute commands which forbid and are "a limitation on jurisdiction and a legal standard that must be given effect." Moreover, "The Commission must observe and the courts must enforce" them *(Connecticut L. & P. Co. v. Federal Power Comm.,* 324 U.S. 515, 65 S.Ct. 749).

It is important to bear in mind that the "shall not apply" commands of the Act exclude from the regulatory jurisdiction of the Commission certain operations and facilities of a "natural gas company," which otherwise might be subject to the regulatory jurisdiction of that body. Stated otherwise, if a company be not engaged either in the transportation of natural gas *in* interstate commerce or in the sale *in* interstate commerce of natural gas for resale, that company in no event would be liable in any degree, or at all, to the regulatory authority of the Commission. Accordingly, the "shall not apply" provisions of *Section 1(b)* of the Act

serve no purpose with respect to such a company. Such provisions can serve only to limit the regulatory authority of the Commission over the excluded facilities and operations of a "natural gas company," which otherwise might be subject, as to such facilities and operations, to Commission regulation.

DEVELOPMENT OF STATUTORY STRUCTURE OF GAS ACT (1935-1938).

Throughout the years, and in literally hundreds of statutes, whenever Congress has desired to subject to federal regulation, control or prohibition, certain activities and operations *which are not actually in* "interstate commerce" but in some manner affect, burden or obstruct it, or are related thereto, that body, by apt language in enlargement of the restricted term "in interstate commerce," has included such activities and operations within the coverage of the legislation, in the exercise of its sweeping constitutional power to regulate commerce "among the several states."

The attention of the Court is directed to two recent examples of such statutory enactment. The provisions of the National Labor Relations Act, 49 Stat. 449, 29 U.S.C.A., Sec. 151, *et seq.*, clearly illustrate the standard Congressional differentiation between those activities which are "*in* interstate commerce" and those "affecting commerce" in some manner. In that Act *(Section 2(6), (7))*, the term "commerce" is defined as meaning "trade, traffic, commerce, transportation or communication among the several states * * *"; and the term "affecting commerce," to which the coverage of the Act is extended, is then defined as meaning "in commerce, or burdening or obstructing commerce or the free flow of commerce * * *."

Similarly, this Court has recognized that the coverage of the Fair Labor Standards Act of 1938, 52 Stat. 1060, 29 U.S.C.A., Sec. 201, *et seq.*, which is "the exercise by Congress of its power to regulate commerce among the several states," goes far beyond activities which are *actually* "*in* interstate commerce" *(Roland Electrical Co. v. Walling*, ——U.S.——, 66 S.Ct. 413). That Act embraces the operations of "industries engaged in commerce or in the produc-

tion of goods for commerce," on the concept that the existence of sub-standard labor conditions "burdens commerce and the free flow of goods in commerce," "constitutes an unfair method of competition in commerce," and "leads to labor disputes burdening and obstructing commerce * * *." (Section 2).[4]

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4. Such Congressional technique of statutory draftsmanship, extending the exercise of Federal authority over "interstate commerce" beyond that which actually is "in interstate commerce," also is disclosed by the following.

The Congressional declaration that an activity or article of commerce "shall be considered to be in interstate commerce if such commodity is part of that current of commerce usual in the trade," or similar phraseology such as "free flow of goods in commerce," is found among others in the Packers and Stockyards Act of 1921, 42 Stat. 160; the Commodity Exchange Act, 49 Stat. 1491; the Grain Futures Act, 42 Stat. 998; the Perishable Agricultural Commodities Act, 48 Stat. 584; the Tobacco Inspection Act, 49 Stat. 73; the Fair Labor Standards Act of 1938, 52 Stat. 1060; the National Labor Relations Act, 49 Stat. 449; and the Securities and Exchange Act of 1934, 48 Stat. 881.

Among the many other statutory terms of enlargement commonly used are: "burden and obstruct the normal channels of commerce." "affect interstate commerce," "ship or deliver for shipment in interstate commerce," "transported or intended to be transported in interstate commerce," "engaged in commerce or in the production of goods for commerce," "stored for interstate commerce," "when offered for interstate shipment," "for the purpose of or in connection with a transaction or shipment in commerce," "transport, ship or receive in interstate commerce," "in restraint of trade or commerce among the several States," "to monopolize any part of the trade or commerce among the several States", "the use of the mails and instrumentalities of interstate commerce," "affect the interstate commerce in which those companies engage," "affect trade, commerce, transporation or communication among the several States," "affect interstate commerce in coal," "burdens and affects the flow of commerce." See: Agricultural Adjustment Act, 50 Stat. 246; Grain Standards Act, 39 Stat. 483; Investment Advisers Act, 1940, 54 Stat. 857; National Labor Relations Act, 49 Stat. 449; Public Utility Holding Company Act of 1935, 49 Stat. 803; Federal Caustic Poison Act. 44 Stat. 1407; Cooperative Marketing Act, 44 Stat. 802; Fair Labor Standards Act of 1938, 52 Stat. 1060; United States Warehouse Act, 42 Stat. 1282; Bureau of Agricultural Economics Act, 42 Stat. 532; Cotton Standards Act, 42 Stat. 1517; Federal Fire Arms Act, 52 Stat. 1250; Sherman Anti-Trust Act, 50 Stat. 693; Associations of Producers of Agricultural Products Act, 42 Stat. 388; Securities Act of 1933, 48 Stat. 74; Securities and Exchange Act of 1934, 48 Stat. 881; Investment company Act of 1940, 54 Stat. 847; Discrimination against Farmers Cooperative Associations Act, 44 Stat. 1423; Interstate Transportation of Petroleum Products Act, 49 Stat. 30, 31; Bituminous Coal Act of 1937, 50 Stat. 72, 83.

Such Congressional differentiation and technique of statutory draftsmanship is strikingly illustrated in the "Public Utility Act of 1935," 49 Stat. 803, 838, in which Act are incorporated as separate integrated enactments, the "Public Utility Holding Company Act of 1935" (Title I), 15 U.S.C.A. 79a, and the "Federal Power Act" (Title II), 16 U.S.C.A. 796. In the

In the establishment of federal regulation over interstate electric and natural gas utilities, the Congress followed its own long established and standard procedures and statutory provisions, in the parallel and virtually identical delegations of jurisdiction to the Commission in the Federal Power Act and in the Natural Gas Act, respectively. The direct legislative development of these laws from the original drafts thereof proposed by the Commission to the statutory structure finally adopted in the enacted statutes, reflects unmistakably and conclusively the Congressional purpose and intent and the meaning, force and effect of *Section 1(b)* of the Gas Act and *Section 201(b)* of the Power Act. Such legislative matters and facts are relevant and material to, and of great weight in, the determination of the propriety and legality of the Commission exercise of asserted authority herein (*United States v. Dickerson*, 310 U.S. 554, 561, 60 S.Ct. 1034, 1038; *United States v. American Trucking Associations*, 310 U.S. 534, 543, 60 S.Ct. 1059, 1063; *Connecticut L. & P. Co. v. Federal Power Commission*, 324 U.S. 515, 65 S.Ct. 749, 754).

Both the Gas Act and the Power Act, including the jurisdictional sections of each, were drafted by the Federal Power Commission, and as so drafted were introduced and the enactment thereof actively sought by the Commisssion before the Congress.[5] Title II of each bill was the Commission-drafted Federal Power Act, while Title III of each bill was the Commission-drafted Natural Gas Act.

Holding Company Act, Congress desiring to enlarge the jurisdiction of the Securities and Exchange Commission to embrace "activities which directly affect or burden interstate commerce" in addition to "interstate commerce" itself, did so, expressly and specifically (Section 1(c), 49 Stat. 803, 804, 15 U.S.C.A., §79a(c)). This is in direct contrast with the restricted jurisdictional provisions of the Power Act.

5. Hearings, House Committee on Interstate and Foreign Commerce, H.R. 5423, 74th Cong., 1st Sess., Test. Comm'r. Seavey, Fed. Power Comm. pp. 400-401, March 7, 1935. Connecticut L. & P. Co. v. Federal Power Comm., 324 U.S. 515, 65 S.Ct. 749, 755-756.

H.R. 5423, 74th Cong., 1st Sess., February 6, 1935; S. 1725, 74th Cong., 1st Sess., February 6, 1935.

Hearings, Subcommittee House Committee on Interstate and Foreign Commerce, H.R. 11662, 74th Cong., 2nd Sess., Test. Solicitor DeVane, Federal Power Comm., p. 10, April 2, 1936.

In the jurisdictional sections of the Commission-drafted legislative bills, entitled "Application of Title,"[6] in addition to the regulation of "the transmission and sale" of natural gas *in* interstate commerce," federal jurisdiction *also* was to follow the "flow" of electric energy and natural gas through "all facilities connected" with any system or facilities *actually* devoted to the transmission and sale of natural gas "in interstate commerce." The Commission draft of the Gas Act is silent as to "production or gathering."

Naturally, under the Commission "flow" concept, there was no exclusion of "production or gathering." Such an exclusion obviously would have been inconsistent with the Commission reach for jurisdiction.

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6. NATURAL GAS ACT AS DRAFTED BY COMMISSION (1935).

"Section 301(b). The provisions of this title shall apply to the transmission and sale of natural gas in interstate commerce, but shall not apply to the retail sale of natural gas in local distribution. **The Commission shall have jurisdiction** over all facilities for such transmission or sale and **over all facilities connected therewith as parts of a system of natural gas transmission situated in more than one State,** except facilities for the retail distribution of natural gas, or for the transmission of natural gas solely for the use of the producer or transmitter or the use of his tenants on property owned or controlled by him and not for resale. Every person who owns or operates facilities subject to the jurisdiction of the Commission under this title shall be subject to the provisions of this title. The term 'distributor' when used in this title means any person who owns or operates such facilities." (Emphasis added.)

FEDERAL POWER ACT AS DRAFTED BY COMMISSION (1935).

"Section 201(a). The provisions of this title shall apply to the transmission and sale of electric energy in interstate commerce and **to the production of energy for such transmission and sale,** except where such electric energy is sold for use within the State in which it is generated. **The Commission shall have jurisdiction over all facilities for such transmission, sale, and/or production of energy** by any means and **over all facilities connected therewith as parts of a system of power transmission situated in more than one State,** except facilities for the retail distribution of electric energy, or for the production or transmission of energy solely for the use of the producer or transmitter or the use of his tenants on property owned or controlled by him and not for resale. Every person who owns or operates facilities subject to the jurisdiction of the Commission under this title and every person who controls, directly or indirectly, any such person, shall be subject to the provisions of this Act. The term 'public utility' when used in this Act means any person who owns or operates such facilities." (Emphasis added.)

H.R. 5423, 74th Cong., 1st Sess., February 6, 1935; S. 1725, 74th Cong., 1st Sess., February 6, 1935. Hearings, House Committee Interstate Commerce, February 19, 1935, pp. 43, 31.

Moreover, *Section 301(a)*, entitled "Necessity for Regulation," of the then Commission-proposed Natural Gas Act, declared:

> "Section 301:(a) It is hereby declared that the *business of selling, transmitting, and distributing as a part of interstate commerce*, natural gas for ultimate public consumption is affected with a public interest and that the regulation, in accordance with the provisions of this title, of *that part of such business which is not subject to regulation by the States*, is necessary in the public interest."[7]

In the Commission drafts of the Gas Act and the Power Act, *all* possible jurisdiction of the Federal Government over "interstate commerce" was to be delegated to the Commission.

However, *all* the various Commission proposals thus to extend federal regulation beyond transportation and sale "in interstate commerce" were discarded and rejected by Congress in the Power Act, as enacted in 1935, and in the Gas Act, as enacted in 1938.[8]

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7. H.R. 5423, 74th Cong., 1st Sess., February 6, 1935, Sec. 301(b); S. 1725, 74th Cong., 1st Sess., February 6, 1935, Sec. 301(b).

8. NATURAL GAS ACT, AS ENACTED:

"Section 1(b). **The provisions of this act shall apply to the transportation of natural gas in interstate commerce, to the sale in interstate commerce of natural gas for resale for ultimate public consumption for domestic, commercial, industrial, or any other use, and to natural-gas companies engaged in such transportation or sale, but shall not apply to any other transportation or sale of natural gas or to the local distribution of natural gas or to the facilities used for such distribution or to the production or gathering of natural gas.**" (Emphasis added.) 15 U.S.C.A. 717(b) (H.R. 6586, 75th Cong., 3rd Sess., June 21, 1938)..

FEDERAL POWER ACT, AS ENACTED:

"Section 201(b). The provisions of this Part shall apply to the transmission of electric energy **in interstate commerce** and to the sale of electric energy at wholesale **in interstate commerce, but shall not apply to any other sale of electric energy** or deprive a State or State commission of its lawful authority now exercised over the exportation of hydroelectric energy which is transmitted across a State line. **The Commission shall have jurisdiction over all facilities for such transmission or sale of electric energy, but shall not have jurisdiction, except as specifically provided in this Part and the Part next**

Not only was the "flow" theory, through interconnected facilities, stricken from the enacted statutes, but the catch-all phrases "as a part of interstate commerce" and "that part of such business which is not subject to regulation by the States" also were eliminated by Congress. Additionally, to define and to confine federal regulation to transportation and sale "*in* interstate commerce," the Congress elected to specify that "*The provisions of this Act* * * * shall not apply to "*any other* transportation or sale * * * or to the production or gathering of natural gas." The term "any other transportation or sale" is in apposition to transportation or sale "*in* interstate commerce," both in concept and in sentence structure. That phrase, in the light of the foregoing historical recital, clearly refers only to "other transportation or sale," which although not *in* interstate commerce, in fact, nevertheless may *affect or relate* to interstate commerce. For example, it is that transportation or sale which is in the "current of commerce" or in the "flow of goods in commerce," and so, "a part of interstate commerce" in its broader and more comprehensive aspect, which is excluded from the coverage of the Act. The language in question certainly does not relate to that transportation or sale which is purely local and not actually "*in* interstate commerce." Such transportation or sale is *intrastate* by every legal standard and admittedly beyond the constitutional authority of the Federal Government. Congress certainly would not be expected to indulge the idle gesture of declaring that it did not intend to exceed its constitutional powers.

"The express statutory limitation upon and exclusion from Commission jurisdiction of "the production or gathering of natural gas" (even if, as insisted by Mr. Justice Douglas in the *Canadian* case, *supra*, that jurisdictional barrier relates only to certain of the activities of production or gathering and does not embrace any part of the essential property or facilities by which alone such activities can be

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following, over facilities used for the generation of electric energy or over facilities used in local distribution or only for the transmission of electric energy in intrastate commerce, or over facilities for the transmission of electric energy consumed wholly by the transmitter." (Emphasis added.) 16 U.S.C.A. 824(b) (H.R. 5423, 74th Cong., 1st Sess., as amended, August 26, 1935).

carried on and conducted)" is directly contrary to and inconsistent with the Commission assertion of regulatory authority herein, which under its legal theory of jurisdiction is said to attach at and "from the mouths of the wells where produced" *(R. V. 1, pp. 82-83)*.

Herein are disclosed actual and direct Commission controls: over the purely local business and operations, over the production properties devoted to such local business operations, over the activities of production therefor, and over the "rates and charges" for natural gas used in connection therewith. All of such controls avowedly and actually were exercised "from the mouths of the wells." Moreover, all of such business, operations, properties, activities and "rates and charges," without distinction or differentiation of any kind, *are incorporated into and made a part of* the implements, devices, procedures and orders of the Commission applicable to the regulable properties, operations and business of Interstate Company *(R. V. 1, pp. 81-86)*. This Commission action is regulation of that which is *not* "transportation and sale *in* interstate commerce of natural gas for resale"; and it is regulation of "the production or gathering

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9. On the same level of logic, Mr. Justice Douglas, if consistent, naturally would have insisted also that, since the word "activity" as well as the word "property" was not used in the statutory language of exclusion of "the production or gathering of natural gas" from "the provisions of this Act," the declared exclusion of "production or gathering" did not cover either the "property" or the "activity" of production or of gathering. As a matter of fact, such is the practical effect of the statutory construction indulged by the learned Justice. Under his opinion, all that is left of the statutory exclusion in question, after his declaration "Certainly that provision precludes the Commission from any control over the activity of producing or gathering of natural gas," is the limited application thereof stated by him, as follows: "That the Commission has no control over the drilling and spacing of wells and the like." This, of course, means that the Commission has complete regulatory-control over all property and activity of "gathering," and over all property and activity of "production" as well, except the mere physical process of well drilling, the incidental determination of well spacing and perhaps some other collateral matters of operation. In this manner, the business of "production" and of "gathering" is delegated to Commission regulatory-control, by four members of this Court.

Under the reasoning of Mr. Justice Douglas, the statutory language of exclusion actually becomes language of inclusion. The broad meaning and sweep of the term "production * * * of natural gas" thus is construed into virtual nothingness. The Connecticut case, supra, is directly to the contrary.

of natural gas." Neither the clever misuse or disregard of the statutory language nor the resort to devious processes of logic can erase or by-pass these patent facts.

During the interval from 1935 to 1938, additional drafts of legislative bills "to regulate the transportation and sale of natural gas in interstate commerce" were introduced in Congress (H.R. 11662, 74th Cong. 2d Sess., 1936; H.R. 4008, 75th Cong. 1st Sess., 1937). In each of such subsequent legislative bills the regulatory authority proposed to be lodged in the Federal Power Commission was further limited and restricted. It is significant, however, that in 1937, as a companion measure to and considered at the same time as H.R. 4008 (Hearing, House Committee on Interstate and Foreign Commerce, 75th Cong., 1st Sess., March 24, 1937; H. R. 4008, pp. 10-20), there was introduced a bill entitled "A Bill to Aid the Several States in the Proper Conservation, Orderly Production and Procurement of Natural Gas for Interstate Commerce * * *."[10]

In the foregoing legislative proposal, *which thereafter died in Committee,* the broad sweep of federal authority over

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10. Therein (H.R. 5711, 75th Cong., 1st Sess.) among other things, it was declared:

"The provisions of this Act shall apply to the procurement of natural gas for the purpose of its transmission through pipe lines and its sale, exchange, transmission, or distribution in interstate commerce; also to all instrumentalities, including contracts and agreements which substantially affect such interstate transportation and sale or exchange of natural gas."

"The Commission (Federal Power) shall have jurisdiction over all facilities for the procurement of natural gas for its transmission through pipe lines and its sale, or for exchange, or distribution in interstate commerce, and over the transmission of natural gas in pipe lines in interstate commerce and over the sale, or exchange, of natural gas in interstate commerce and over all facilities connected therewith as parts of a system of natural-gas transmission operated in more than one State."

"'Natural gas-pipe line' means a main, including its branches, by means of which natural gas is transmitted in whole or in part in interstate commerce, destined in whole or in part for ultimate distribution to industries, the general public, or other consumers, whether or not such line or lines, or portions thereof, are owned or controlled by a single or by several interests."

(Hearing, House Committee, Interstate and Foreign Commerce, H.R. 4008, 75th Cong., 1st Sess., p. 11.)

commerce in natural gas "among the several States" again was sought to be delegated in full measure to the Federal Power Commission, just as in the Commission-drafted proposal of 1935. There was this difference, however, that in the 1937 proposal, by express declaration, production and gathering were to be within the coverage of the proposed Commission authority, as well as all facilities and activities "which substantially affect such *interstate* transportation and sale or exchange of natural gas."

Thus, in the 1935 and 1937 proposals, *both rejected by Congress,* is found the precise pattern of the asserted jurisdiction exercised by the Commission in this case. No such jurisdictional foundation is laid in the Gas Act, *as enacted.*

Neither the Commission nor the courts have any authority whatever to create or bestow jurisdiction. The determination of the area in which federal regulation is to be exercised is a function belonging exclusively to the Congress, as this Court on numerous occasions has declared. Nevertheless, the express and mandatory jurisdictional controls and limitations of the Gas Act are overlooked, forgotten or explained out of existence, by Commission and Court alike, in the continuing non-statutory program of ever expending federal regulation over all branches of the natural gas industry.

In the light of the background out of which the actual structure of the enacted statutes developed, it is evident that Congress adopted the phraseology of *Section 1(b)* of the Gas Act and also *Section 201(b)* of the Power Act, advisedly. The phraseology of the Commission-prepared and sponsored drafts of both Acts is in direct contrast with the limited area of regulatory control which Congress intended to lodge, and by appropriate language both of inclusion and exclusion did lodge, in the Federal Power Commission in both Acts, *as enacted.* It must be conceded that Congress knew its own purposes and was qualified to draft legislation to reflect those purposes. Had Congress desired to embrace in the coverage of the Natural Gas Act the "flow" theory, or activities "burdening" and "affecting," but not in fact *in* "interstate commerce," or "the production or gathering of natural gas," there is not the slightest doubt but that it

would have so declared directly and unequivocally, in accordance with its established procedure in that behalf.

Congress in each Act said precisely what it meant and meant precisely what it said. It is now evident, particularly from the *Connecticut* case, *supra*, that the free and easy administrative construction of legislative enactments to facilitate the evasion of statutory restraints and the enlargement of statutory authority, no longer is to continue unchallenged by this Court.

ARGUMENT.

The position of *Amici Curiae*, as hereinabove stated, is: *Within the terms and meaning of the Natural Gas Act*, the sales of natural gas by petitioner, Interstate Natural Gas Company, locally in the Monroe Field, Louisiana, to the three interstate pipeline companies, all in form, manner and substance as disclosed without contradiction in the record herein, are not within the scope of the rate-regulatory authority delegated by the Congress to the Federal Power Commission.

On the record, it cannot be maintained, and neither the Commission nor the Court of Appeals has undertaken to maintain, that Interstate Company *in fact* has any part in or responsibility for the movement or transportation of the natural gas so sold by it locally "in the Monroe Gas Field to certain pipe line companies" *after* the absolute and complete sales and deliveries thereof by it to such "pipeline companies" locally "in the Monroe Gas Field" *(R. V. 1, pp. 82-83)*.

On the record, it cannot be maintained and neither the Commission nor the Court of Appeals has undertaken to maintain that *after* such local and absolute field sales and deliveries by Interstate Company, it *in fact or in law*, has any right or interest in such gas, has any liability of any kind with respect thereto, has any control or right of control whatever over such gas, its transportation, its destination, its disposition or its ultimate use, or has any interest or concern whatever in the subsequent sales thereof or the

proceeds of such sales by the "certain pipeline companies" named.

On the record, it cannot be maintained and neither the Commission nor the Court of Appeals has undertaken to maintain, that Interstate Company has any relationship whatever, in fact or in law, to or with any of the "certain pipe line companies" other than that of vendor of natural gas sold locally by it in the Monroe Field, Louisiana, to each of the three interstate pipeline companies in question.

Interstate Company, "as to sales of natural gas made by it in the Monroe Gas Field to certain pipe line companies" *(R. V. 2, p. 911),* is not engaged *actually* in "the transportation of natural gas in interstate commerce" nor is it engaged *actually* in "the sale in interstate commerce of natural gas for resale," nor is it engaged *actually* in "commerce between any point in a State and any point outside thereof." It *sells and delivers* the natural gas here in question "at a point near Perryville in the State of Louisiana," and "at a point near Guthrie in the State of Louisiana." *The Commission so found (R. V. 1, pp. 82-83).* Such then are the facts.

There is no finding or conclusion by the Commission or the Court of Appeals, nor would the record support such a finding or conclusion, that Interstate Company and the three pipeline companies constitute "a single enterprise," or "a joint operation," as was found to be the fact in the *Matter of Natural Gas Pipeline Company of America and Texoma Natural Gas Company,* 2 F.P.C. Rep. 218, 219, 233-234; 35 P.U.R. (n.s.) 41, 43, 55-56; in *City of Detroit v. Panhandle Eastern Pipe Line Company,* 3 F.P.C. Rep. 273, 277; 45 P.U.R. (n.s.) 203, 207-208, and in *The Matter of Canadian River Gas Company, et al.,* 3 F.P.C. Rep. 32, 40, 61-62; 43 P.U.R. (n.s.) 205, 213, 231-232. On the contrary, and directly applicable to this case, the Commission twice has held that Mississippi River Fuel Corporation, one of the three pipeline purchasers from Interstate Company in Monroe Field, "produces no natural gas, but purchases its requirements in the State of Louisiana and transports that natural gas through its pipeline out of the State of Louisiana, into and through" other states where it is sold by direct sales

and sales for resale "for general public consumption." *(In the Matter of Mississippi River Fuel Corporation,* 2 F.P.C. Rep. 170, 171, 121 F. (2d) 159.) See also to the same effect, *In the Matter of Mississippi River Fuel Corporation,* F.P.C. (1945) Docket No. G. 462, opinion and order November 9, 1945. Such findings and conclusions are not consonant with the "single enterprise" concept, as between Mississippi River Fuel Corporation and Interstate Company, or Southern Carbon Company or United Carbon Company, from which companies it also purchases gas locally in the Monroe Field. In fact, they are in conflict with any such factual situation.

The nature of the local dealings in the Monroe Field between Interstate Company and each of the three pipeline companies does not lend itself to the "single enterprise" concept.

The operations and business of Interstate Company do not extend beyond the several points of local field delivery and sale to the three pipeline companies. The natural gas there so sold and delivered to the three pipeline companies thereafter is packaged, transmitted and sold beyond the boundaries of the State of Louisiana only because the three pipeline companies maintain interstate pipeline systems and indulge interstate sales activities for that purpose. Interstate Company has no part in such operations and activities.

There is no evidence, no finding and no contention by Commission or Court of Appeals, that there is an affiliate relation between Interstate Company and the three purchaser pipeline companies, as was the fact in *Public Utilities Comm. v. Attleboro Steam and Electric Co.,* 273 U.S. 83, 47 S.Ct. 294 and *Peoples Natural Gas Co. v. Federal Power Comm.,* 127 F. (2d) 153, later herein discussed.

Nor is there any finding and conclusion of law by the Court of Appeals or Commission that, because of the ownership and operation by Interstate Company of the interstate pipeline system (separate from, independent of and disassociated from the sales herein under consideration) from De Siard Compressor Station in the Monroe Field, Louisiana, to Baton Rouge, through portions of the State of Mississippi, and the sales of natural gas in interstate commerce

effected thereby, the Interstate Company is subject to the jurisdiction of the Commission in connection with the "field sales" to the three pipeline companies. Such finding and conclusion of law would be contrary to law. Jurisdiction over non-jurisdictional activities and facilities cannot be created by mirrored reflection from activities and facilities which are subject to Commission regulation. A company which engages in operations and activities which subject it to Commission regulation and make it a "natural gas company," as defined in the Act, may also engage in other activities and operations which are not subject to Commission regulation. Such other non-jurisdictional activities and operations do not become subject to Commission regulation because the Company is a "natural gas company." They continue exempt from Commission control and regulation, and the Commission is not permitted to exercise any control whatever over them.

Panhandle Eastern Pipe Line Co. v. Federal Power Comm., 324 U.S. 635, 641-642, 65 Sup. Ct. 821, 825.

The test of the validity of Commission regulation is not the character of the general business of the Company, but whether the particular business which is sought to be regulated is within the lawful limits of the Commission's statutory warrant of authority. It is, of course, elementary that the Commission, a creature of statute, possesses only those specific powers and duties delegated to or imposed upon it by the Congress. It may not at will assume or reject jurisdiction. The application of the foregoing principles to particular facts and situations is common practice.

This leaves the physical phenomenon of "constant flow" from the well-head as the only test, as to whether Interstate Company in connection with the "field sales" under consideration, is engaged as a participant, *as a matter of law even though not in fact*, in "the interstate transportation and sale of natural gas for resale."

The meaning and effect attributed herein to the Gas Act, by Commission and Court of Appeals, makes the authority of the Commission to regulate the local facilities, operations and sales activities of Interstate Company here

under review, depend, not on the nature of such facilities, operations and sales activities, as required by *Sections 1(b)* and *2(6)* of the Act, but solely al... upon the subsequent and separate and independent interstate facilities, operations and sales activities of the three purchaser pipeline companies.

Under the Commission legal theory, jurisdiction *relates back* from the subsequent interstate operations and activities of the three purchaser pipeline companies to Interstate Company and its local properties, operations and activities, and *attaches* at and from the wells where the gas involved herein is produced.

Such, however, is not the structure or content of the Gas Act as has been shown in earlier subdivisions of this brief.

The respective legal conclusions of the Commission and the Court of Appeals that Interstate Company, as such local field vendor of natural gas, *is itself*, in law, engaged in "the transportation of natural gas *in* interstate commerce" and in "the sale *in* interstate commerce of natural gas for resale," therefore rest solely on the fact that the several purchasers of such gas *locally* in the Monroe Field *thereafter*, in and by their own pipeline systems and through their own sales activities, engage in the business of "transporting and selling * * * in interstate commerce," the natural gas so locally purchased by them. Such conclusions involve assumptions of fact and conclusions of law, which we next consider.

I.

The Commission Theory of Its Jurisdiction Herein is Without Support in the Natural Gas Act.

It is obvious from the text of the two Acts and it is conceded by the Commission *(Solicitor De Vane, F.P.C., Hearing, Subcommittee, Committee Interstate and Foreign Commerce, H.R. 11,662, 74th Cong., 2nd Sess., p. 10; Comm. Br. Ct. of Appeals, pp. 16-17)* that the Gas Act "follows closely" and actually parallels the Federal Power Act in the jurisdictional provisions thereof.

This Court, in the case of *Connecticut L. & P. Co. v. Federal Power Commission, supra*, examined with considerable particularity the legislative history and the basis, structure, meaning and scope of the Commission authority under *Section 201(b)* of the Power Act (footnote 8, *supra*). Mr. Justice Jackson, speaking for the majority of this Court, pointed out (324 U.S. at pages 529-530, 65 S.Ct. at pages 756-757) that:

> "This bill came before Congress as prepared by the staff of the Commission couched largely in the technical language of the electric art. Federal jurisdiction *was* to follow the flow of electric energy, an engineering and scientific, rather than a legalistic or governmental test. Technology of the business is such that if any part of a supply of electric energy comes from outside of a state it is, or may be, present in every connected distribution facility. Every facility from generator to the appliance for consumption may thus be called on for transmitting such interstate power. * * * It has never been questioned that technologically generation, transmission, distribution and consumption are so fused and interdependent that the whole enterprise is within the reach of the commerce powers of Congress, either on the basis that it is, *or that it affects*, interstate commerce. Such a broad and undivided base for jurisdiction of the Power Commission *would be* quite unobjectionable and *perhaps* highly salutary *if* the United States were a unitary government and the only conflicting interests to be considered were those of the regulated company." (Emphasis added.)

After suggesting various reasons which might have influenced the Congress, the opinion recognized the fact that "whatever reason or combination of reasons" motivated the Congress, that body deliberately and specifically rejected the "flow" theory of sweeping jurisdiction predicated upon the interconnection of facilities "from generator to the appliance for consumption." The Commission jurisdictional contention, *thus rejected by Congress*, that "such (interstate) transmission, in our opinion, extends from the gene-

rator, where generation is complete, to the point where the function of conveyance in bulk over a distance, which is the essential characteristic of 'transmission' is completed * * *" *(Re, Connecticut L. & P. Co.*, 3 F.P.C. 132, 142; 143; 44 P.U.R. (n.s.) 170), is identical with its contention of jurisdiction in this case that the fact of "constant flow from the mouths of the wells," where produced through connected facilities of others and ultimately into the facilities and channels of interstate commerce, means, *as a matter of law*, that transportation and sale *in* interstate commerce "extends from" the well head, thus including the local facilities and activities of the field vendor.

Such was the Commission's reach for power: in its proposed drafts of the Power Act and of the Gas Act in 1935, in its order in the *Connecticut* case, *supra*, in 1942, in its order in this case in 1943, and in other of its decisions. Then came the contrary decision of this Court in the *Connecticut* case in 1945, which makes discussion of all other Commission and judicial decisions unnecessary.

The inescapable fact is that Congress rejected the "flow" theory of the Commission in both Acts, and yet this case is here now on review because, and only because, the Commission asserted rate-regulatory control over the field sales here in question, *expressly and specifically under the "flow" theory and not otherwise.*

By what manner of reasoning then can it now be urged that despite the Congressional rejection of the "flow" theory of jurisdiction in both the Power Act and the Gas Act, nevertheless the jurisdictional answer is precisely the same in this case as though the Commission "flow" concept had been adopted by Congress, although this Court, after careful consideration, found otherwise in the *Connecticut* case? In that case this Court found a vast and basic actual and legal difference in coverage between the Commission theory and the Congressional grant of jurisdiction.

As indicated forcefully in the *Connecticut* case and as is disclosed both in the legislative record and in the enacted statutes, Congress, in building the structure of Federal regulatory control in 1935 and 1938, was "acutely aware" of

the basic and somewhat divergent differences between the state or local and the national or centralized theory and concept of government, both of which, with consummate skill, were moulded into the framework of our Constitution. The issue presented to and considered by Congress was not principally or merely the technical placement of particular regulatory controls under State or Federal authority, as the case might be. Much more was involved. Congress, "in the light of our history and the structure of our government," intended that Federal regulatory authority should be eliminated and should not cover anything like the entire area of the constitutional jurisdiction of the Federal government under "the interstate commerce clause." That Congressional policy and intention was crystallized into the unambiguous language of the two Acts. The present issue is whether these limited and restricted yardsticks or charters of statutory authority, as is their purpose and function, do control and do confine the Federal Power Commission within the delegated and lawful ambit of its activities. In the face of the statute, it would seem that the theories of the Commission and the Court of Appeals and all other concepts of jurisdiction must be discarded as immaterial.

The consideration of the Court also is directed: to the confusion resulting from, to the contradiction inherent in, and to the impossible application of the Commission *flow* theory of jurisdiction to the facilities and activities of the producer or gatherer of natural gas which disposes of it *locally*, in the state and field of origin, to an interstate pipeline, prior to the transportation and sale thereof for resale "*in* interstate commerce" by such interstate pipeline. It is perfectly clear from the history and terms of the Act that Congress did not intend any such consequence, but did intend that such consequence should not result under the federal regulation authorized by it.

For the purposes of this discussion, the production or gathering, and local field sale or disposition of gas, *prior* to the transportation and sale thereof in interstate commerce for resale, fall within three categories. They are:

One. Production or gathering and sale by an enterprise which does not own or operate an interstate pipeline

system, by and from which transportation and sales for resale *in* interstate commerce are made. The gas is sold and delivered *locally* in the field of origin. To consummate such sale and delivery, the *local* facilities of the vendor are connected with the interstate facilities of the purchaser thereof. Thereafter the gas is transported and sold "*in* interstate commerce" for resale *by such purchaser.*

Two. Production or gathering and sale by an enterprise which is "a natural gas company" under the Act, because of the ownership and operation by it, of an interstate pipeline system, through which gas is transported and sold in states other than in the state of origin for resale. *All* natural gas so produced or gathered is delivered into its own pipeline system and thereafter, after interstate transportation, is sold for resale *by the original producer or gatherer thereof.*

Three. Production or gathering and sale by an enterprise which, as in category *Two,* is "a natural gas company" under the Act, because of the ownership and operation by it of an interstate pipeline system:

(a). *A part only* of the natural gas so produced or gathered is delivered into said system and, after interstate transportation, thereafter sold for resale *by the original producer or gatherer thereof;*

(b). *The remainder* of the natural gas so produced does not enter the interstate pipeline system of the producer or gatherer, but, entirely independent of and wholly apart from said interstate pipeline system, is sold and delivered locally in the field and state of origin by the producer or gatherer thereof to a purchaser, which thereupon compresses and transports such purchased gas to another state and thereafter sells it in the state of destination for resale for ultimate public consumption.

In each of the categories the producer, gatherer, it is assumed, knows that the natural gas so sold by it thereafter is to be transported and sold in interstate commerce for resale for ultimate public consumption by the purchaser thereof. (This was also true of the Connecticut company in the *Connecticut* case, *supra.)*

In all of the three categories the physical phenomenon of so-called "constant flow" from the well-head in the state of origin into the channels of interstate commerce for resale in the state of destination is equally present and operative. Such physical fact exists, if at all, irrespective of who produces the gas in the state of origin, of who sells it locally in the field and state of origin, of who transports it across state lines, or of who thereafter sells it for resale in the state or states of destination and consumption. The operation of natural laws is not thus controlled or determined.

With respect to category number "One," although the selling producer knows the gas is "destined" for interstate transportation and sale for resale, and *despite* the actual or assumed fact of "constant flow" from well-head into the channels of interstate commerce, the Commission heretofore and now denies that it possesses jurisdiction over such producer and such sales. The producers in category "One" the Commission describes as "independent producers," as distinguished from producers in category "Two," who utilize their entire gas production in their own interstate pipeline systems.[11]

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11. General Counsel for the Federal Power Commission, speaking for and from the viewpoint of the Commission, before The Interstate Oil Compact Commission, Oklahoma City, Oklahoma, June 15, 1945, under the subject title of "Effect of Recent Supreme Court Decisions on the Production and Conservation of Natural Gas," categorically declared the coverage of the Act and the position of the Commission to be as follows:

"Before undertaking a discussion of this question, it should be emphasized that there was no dispute with respect to the gas which the pipeline company purchases from independent producers. The price paid for such gas, being at arm's length, was allowed as an operating expense of the pipeline company. The Commission, of course, has no jurisdiction over the independent producer and cannot regulate the rates at which he sells gas to the pipeline company. Not only is the Commission's rate-making authority limited to the transportation and sale of natural gas for resale in interstate commerce, but Congress specifically provided in Section 1(b) of the Act that the Commission, as above stated, shall not have jurisdiction over the 'production or gathering of natural gas.' As Mr. DeVane, the Commission's Solicitor, explained in the committee hearings on one of the predecessor bills, the Commission has no authority over the price 'that is paid to the gatherer, the man that produces it; that is binding if the transaction is at arm's length.'" (Hearings on H.R. 11662, 74th Cong., 2d Sess., pp. 42-43.)

"The issue is therefore limited to the gas which the interstate pipeline company itself produces and the question is whether the company should be allowed the actual costs which it incurs in pro-

Nothing in the language of the Act commands or even suggests that the Commission, in the conduct of its regulatory functions, should regulate or is authorized to extend its control into the wide and varied field of production of natural gas. To the contrary, the Act in plain blunt language, withholds from the Commission, under "the provisions of this Act," authority over "the production or gathering of natural gas." The producer of natural gas may be a "natural gas company," under the Act; it may be and often is an oil company; or it may be a company engaged solely in the production and local sale of natural gas. The Commission, in its early decisions[12] and again by its declarations in 1945, sensed the inevitable difficulty and hopeless confusion which would result if it undertook, in connection with regulation of "the transportation of natural gas in interstate commerce" and "the sale in interstate commerce of natural gas for resale for ultimate public consumption," also "to deal with the complicated interrelationship between the natural gas industry and the oil industry."

The Commission also sensed the resulting maze and the administrative impossibility of subjecting the many thou-

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ducing such gas or whether the latter should be 'valued' as a commodity at the point where it enters the company's pipeline."

See also: Re Columbian Fuel Corporation, 2 F.P.C. Rep. 200, 38 P.U.R. (n.s.) 3; Re Sinclair Prairie Oil Company, Docket No. G-197, 2 F.P.C. Rep. 1009; Re Repollo Oil Company, Docket No. G-195, 2 F.P.C. Rep. 1004.

12. In 1940, the Commission in Re Columbian Fuel Corporation, supra, observed: (p. 207)

"The companies to be subjected to regulation were conceived of as 'pipe line' companies, and it was assumed that production and gathering would enter the field of regulation only to the extent that the 'pipe line' companies, either directly or through affiliates, controlled the production or gathering of the gas so transported.

"In making a choice between the broader and the narrower interpretation of its jurisdiction under the Natural Gas Act, insofar as the present respondent is concerned, the Commission is influenced by the above consideration. This consideration is reinforced by the fact that a determination in favor of the broader conception of its jurisdiction would lead the Commission into attempts to deal with the complicated interrelationship between the natural-gas industry and the oil industry. To make regulation of producers and gatherers effective under these circumstances would require statutory authority of much wider scope and machinery exceeding that at the disposal of the Commission with its present limited appropriation."

sands of *local* producers, gatherers and vendors of natural gas, whose product although sold in the field of origin nevertheless under the "flow" theory thereafter enters the channels of interstate commerce for resale, to the rate-regulatory machinery of the Commission. This is true because "the rates and charges" of each such local vendor of necessity would be governed by the individual rate base assigned to it by Commission order after a rate case proceeding.

Situations coming within category "Two" uniformly are held by the Commission to be subject to Commission jurisdiction. This is not done on the theory of "constant flow" from the well-head into the channels of interstate commerce and sale for resale, but on the *premise* that the "production and gathering operations are an integral part of its total operations, including transportation in interstate commerce and the sale of natural gas for resale in interstate commerce. Furthermore, Canadian's operations are an integral part of Colorado's operations and the two comprise a single operating system." *(Re Canadian River Gas Co.*, 3 F.P.C. Rep. 32, 40; 43 P.U.R. (n.s.) 205, 213.) In this type of case there are no field sales or other sales of the natural gas before the actual interstate transportation thereof by the transmitter, which is also the producer of such gas. However, whether or not the hand of Commission regulatory control lawfully may extend to the gas production of those producer-pipeline companies in category "Two" is not as yet finally settled by this Court. See footnote 2, *ante*.

Category "Three" reflects those situations which combine the characteristics of both categories "One" and "Two." Interstate Company is in category "Three." In so far as the gas which it produces is delivered into its own interstate pipeline system to Baton Rouge for interstate transportation and sale for resale (category "Two"), it has submitted to Commission jurisdiction. It is the Monroe Field "field sales" to the three pipeline companies (category "One") which are involved in this case. Commission jurisdiction over these sales is denied. That is the one issue in this case.

As has been pointed out, the Commission, despite its "constant flow" doctrine, admits its lack of jurisdiction over

the independent producer, that is, the producer who does not supply natural gas to its own interstate pipeline system from its own production. So far as Interstate Company is concerned, the jurisdictional question with respect to the "field sales" to the three pipeline companies is the same as though Interstate Company did not own and operate an interstate pipeline system to Baton Rouge. Interstate Company is as to these "field sales" an independent producer, and as such just as much entitled to sell and distribute its gas as any other independent producer, and equally without Commission interference. The Commission does not find and conclude, and it could not support such a finding and conclusion, that Interstate Company constitutes "a single enterprise," separately or collectively, with one or all of the three pipeline companies. The doctrine of "constant flow" from well-head to burner-tip is not contended by the Commission to be applicable to "independent producers"; otherwise, *all* independent producers would be the subject of Commission regulatory control. Such a result, the Commission obviously is eager to avoid. It seems inconceivable that Congress intended, or that the law permits, the Commission to enlarge or reduce its jurisdiction at will by the expedient of applying or not applying the "constant flow" doctrine as suits its purposes from time to time in various situations.

If "constant flow" from the well-head into the channels of interstate commerce and markets were the legal test of jurisdiction, as assumed by the Commission in its findings and order herein, which it is not, then of legal necessity that test would be applied *uniformly*, to pipelines, "to independent producers" and to all other producers, and not if, as and when it suits the purposes of the Commission under particular circumstances, which is and has been the Commission practice. Such is not the structure of our legal and governmental institutions nor the proper or lawful manner of their administration.

In the event the *Commission-proposed* jurisdictional standards had been adopted by Congress in the statutory scheme of Federal regulatory control over electric and gas interstate public utilities, embodied in the Federal Power

Act and the Natural Gas Act, then the asserted Commission jurisdiction over the "field sales" of Interstate Company here in question would be lawful instead of lawless. Had the Congress so intended, there would have been no occasion whatever to reject the Commission draft, for that draft had been built to order for that very purpose.

Moreover, whatever misconceptions heretofore may have existed, that the Commission's "constant-flow" theory was the foundation and measuring rod as a matter of law for the jurisdictional determination of what constitutes transportation and sale for resale, *in* interstate commerce, now have been wiped out by this Court in *Connecticut L. & P. Co. v. Federal Power Commission, et al., supra.*

The Commission, nevertheless, proceeded to construe and apply the Natural Gas Act, as well as the Power Act, precisely as though the jurisdictional "limitations" contained in each of the two statutes in question had not been imposed by Congress. It has administered the Gas Act on the theory that purely *local* transactions and activities, such as production, gathering and field sales, which may be thought to "affect" interstate commerce, or to be in the "flow" or "current" of commodities which ultimately, through others, enters into interstate commerce, are subject to its jurisdiction.

This Court, in *Connecticut L. & P. Co. v. Federal Power Commission, supra,* drew in issue a similar misconstruction or disregard of "the jurisdictional test" imposed by Congress in the Federal Power Act, and on that ground reversed that case.

In this case, the Commission considered irrelevant and ignored "the limitations" on its jurisdiction imposed by Congress in the Gas Act, and substituted therefor the "constant flow" concept of jurisdiction expressly *rejected* by Congress in the enacted statute. Here then is just as clear a departure from the controlling and "correct rule of law" as this Court held required reversal in the *Connecticut* case.

However, the Commission seeks to buttress its asserted jurisdictional authority over such "field sales" by the following argumentative statement in its opinion: "In resisting

regulation by the Louisiana Public Service Commission, the Interstate Natural Gas Company successfully contended in a Federal Court that over 99% of its total sales of gas, which include sales made to the three pipeline Companies, were sales in interstate commerce and beyond the reach of the Louisiana Commission. *(Interstate Natural Gas Co. v. Louisiana Public Service Commission,* 33 F. Supp. 50; 34 F. Supp. 980.) Interstate does not deny that the sales of natural gas to the three pipeline Companies constitute sales of natural gas in interstate commerce for resale * * *." *(R. V. 1, p. 60.)*

There are several obvious answers to this Commission contention. In the cases cited, the question of the scope of Federal regulatory authority under the Natural Gas Act was not in issue or adjudicated. Nor could that question be resolved by ascertaining and delineating the extent of state control, either before or after the passage of the Act. *(People's Natural Gas Co. v. Federal Power Comm.,* 127 F. (2d) 153; *Illinois Natural Gas Co. v. Central Illinois Public Service Co.,* 314 U.S. 498, 506, Note 4, 62 S.Ct. 384, 387.) Furthermore, it is of no legal consequence what the Interstate Company contended or admitted in the proceedings in question, or otherwise. The jurisdiction of the Commission, whatever the extent thereof, is measured by the Congressional grant of authority in the Natural Gas Act. It is, of course, elementary that jurisdiction over a subject matter cannot be created by consent, admission, default or estoppel. Additionally, the Federal District Court in Louisiana (34 F. (2d) 980), held (whether correctly or erroneously, is not here important) that Interstate Company "is not subject to the jurisdiction of the Public Service Commission of the State," predicated upon numerous findings and conclusions of law, any one of several of which was amply sufficient to support the judgment rendered by the three-judge District Court. It is to be observed also, that Interstate Company was then, as now, clearly engaged in "sales of natural gas in interstate commerce for resale" through its Baton Rouge interstate pipeline system, yet the action of the Louisiana Commission in seeking to collect expenses of investigating, fixing and regulating rates was not limited to intrastate operations

and activities and which did not "affect" or burden interstate commerce. See *Kentucky Natural Gas Corporation v. Public Service Comm.*, 28 F. Supp. 509, 513; 119 Fed. (2d) 417; *Ingelo, Director, etc. v. Morf, et al.*, 300 U.S. 290, 294-295, 57 S.Ct. 439, 441-442.

The cases also incidentally cited and referred to in the Commission opinion *(Public Utilities Comm. v. Attleboro Steam & Electric Co.*, 273 U.S. 83, 47 S.Ct. 294; *Missouri v. Kansas Natural Gas Company*, 265 U.S. 298, 44 S.Ct. 544; *Illinois Natural Gas Company v. Central Illinois Public Service Company*, 314 U.S. 498, 62 S.Ct. 384; *Federal Power Commission v. Natural Gas Pipeline Company*, 315 U.S. 575, 62 S.Ct. 736; *Kentucky Natural Gas Corporation v. Public Service Commission*, 28 Fed. Supp. 509, 119 Fed. (2d) 417, *(V. 1, p. 61, footnote)* in support of its assumption that the local "field sales" of Interstate Company to the three pipeline companies are "subject to the Act," are all decisions in which there was *in fact* transmission to and beyond state lines *actually participated in by the company held to have been engaged "in interstate commerce."*

The *Attleboro* and *Kansas Natural Gas Company* cases, upon which the Court of Appeals rested its opinion and judgment of affirmance herein, are considered fully later herein.

In the *Natural Gas Pipeline Company* case, the Natural Gas Pipeline Company and its affiliate the Texoma Natural Gas Company were held to be "engaged in business as a single enterprise" from the production of natural gas in the Panhandle Field in Texas over and through "their own pipeline in interstate commerce to Illinois." In the *Illinois Natural Gas Company* case, the Panhandle Eastern Pipe Line Company and its wholly-owned subsidiary, Illinois Natural Gas Company, were found and held to be "operated as a single system for the production, gathering, transportation and sale in interstate commerce of natural gas" *(In the Matter of Panhandle Eastern Pipeline Company*, 3 F.P.C. Rep. 273, 277, 45 P.U.R. (n.s.) 203, 207-208). In the *Kentucky Natural Gas Corporation* case, it was found and held that the extensive system of interstate pipelines owned and operated by that company, "from which gas is wholesaled under high pressure to distributing companies and utilities,

is an interstate facility through which gas flows into Kentucky from other states and from Kentucky into other states; that as such it is not subject to the powers of the State Commission" of Kentucky.

The operations in all of the cases referred to were *unitary operations of a single enterprise*, and in all such cases the interstate transmission and sale by the companies in question, constituting the single enterprise, was an uncontroverted actuality. In connection with the "field sales" here in question, the issue is whether Interstate Company in law, although not *in fact*, is engaged *in* interstate commerce. Obviously then, the decisions in question do not enable the Commission simply to label such *local* operations of Interstate Company as transactions *in* interstate commerce. There is no record support for such conclusion.

The reach of the Commission for power manifestly greatly exceeds its lawful grasp.

II.

THE COURT OF APPEALS CONCEPT OF COMMISSION JURISDICTION HEREIN IS NOT EMBODIED IN THE NATURAL GAS ACT.

The Court of Appeals neither noticed nor discussed the Commission theory of "constant flow" as the foundation and measure of the asserted Commission jurisdiction herein. That Court veered off into another theory of jurisdiction which we now examine.

The opinion of the Court below is predicated on the easy assumption, several times repeated, that every operation and activity which Congress in any way could have incorporated into the broad and sweeping concept of "interstate commerce" under the constitutional grant to the Federal government of authority over "commerce * * among the several states," was incorporated into the plan of Federal regulatory control embodied in the Natural Gas Act *(R. V. 2, pp. 913-914, 915, 917-918)*. Such is not fact, as disclosed by the Act and the decision of this Court in the *Connecticut* case, *supra*. In support of its basic assumption, so indulged, the Court of Appeals cited the cases of *Missouri v. Kansas*

Natural Gas Co., 265 U.S. 298, 44 S.Ct. 544, and *Public Utilities Comm. v. Attleboro Steam & Electric Company*, 273 U.S. 83, 47 S.Ct. 294 *(R. V. 2, pp. 914, 915, 917, 918)* and collaterally *Peoples Natural Gas Co. v. Federal Power Comm.*, 127 F. (2d) 153 *(R. V. 2, pp. 915, 916)*.

As stated by the Court *(R. V. 2, p. 917)*, "The basic purpose of the present legislation is to occupy this field (Note: referring to the *Attleboro* and *Kansas Gas* cases) in which the Supreme Court has held the States may not act."[13]

The question here is the scope and reach of the statutory terms "transportation * * * *in* interstate commerce" and "sale *in* interstate commerce * * * for resale," which are the limits of Commission authority under the Gas Act and under the Power Act, the jurisdictional provisions of the two enactments admittedly being in parallel.

The Court of Appeals undertook to find the answer in the *Kansas Gas* and *Attleboro* cases. Since this is the "field" which Congress declared it proposed "to occupy" and has occupied, it is evident that the effective exercise of Federal control in that area did not require utilization of the rejected Commission "flow" theory. However, there are no findings by the Commission herein to support any concept of jurisdiction over the field sales here in question except "the flow" theory *(R. V. 1, pp. 82-83)*. Nor is there any evidence in the record which would support findings on any other theory. Had there been any other possible evidentiary foundations for jurisdiction, it must be conceded that the Commission (which is fully cognizant of the legislative history of both the Gas Act and the Power Act and of the wide difference in meaning between the language as drafted and proposed by it and as enacted by Congress) would have made findings accordingly.

This leads us to consider what evidentiary foundations and therefore, what Commission findings would be essential

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13. Report of Interstate Commerce Committee of the Senate, adopting Report of House Committee on Interstate and Foreign Commerce, Senate Report No. 1162, 75th Cong., 1st Sess., August 9, 1937, on H.R. 6586 (originally H.R. 4008); Connecticut L. & P. Co. v. Federal Power Comm., supra, 324 U.S. at pages 525-527; 65 S.Ct. at page 754.

to bring this case into the "field" of the *Kansas Gas* and *Attleboro* cases. If such evidence and such findings were necessary, the Court had no authority to assume the requisite evidentiary facts, nor was it "authorized under *Section 19(b)* to make findings and substitute them for those of the Commission" (*Colorado-Wyoming Gas Co. v. Federal Power Comm.*, 324 U.S. 626, 634, 65 S.Ct. 850, 854).

What then were the factual and legal situations involved in the *Kansas Gas* and *Attleboro* cases?

In *Missouri v. Kansas Natural Gas Co.* (1924), 265 U.S. 298, 305-7, 44 S.Ct. 544, 544-5, the facts as stated by this Court were as follows:

> "These cases were consolidated for argument. *They present for decision the single question whether the business of the Kansas Natural Gas Company, hereinafter called the Supply Company, consisting of the transportation of natural gas from one state to another for sale,* and *its sale and delivery, to distributing companies, is interstate commerce, free from state interference?*
>
> "The facts necessary to be considered in reaching a conclusion are, shortly, as follows:
>
> "The Supply Company is a Delaware corporation, *engaged in producing and buying natural gas* mostly in Oklahoma but some in Kansas, and, by means of pipe lines, transporting it into Kansas and from Kansas into the state of Missouri, and in each state selling and delivering it to distributing companies, which then sell and deliver it to local consumers in numerous communities in Kansas and Missouri. The gas originating in Kansas is mingled for transportation in the same lines with that originating in Oklahoma. The pipe lines are continuous from the wells to the place of delivery.
>
> * * * * *
>
> "The business of the Supply Company, with an exception not important here, is wholly interstate. * * *"

> "The question is controlled by familiar principles. Transportation of gas from one state to another is interstate commerce, and the sale and delivery of it to the local distributing companies is a part of such commerce. * * *". (Emphasis added.)

Here then, with respect to the broad issue of "interstate commerce," we have a *single company* "engaged in producing and buying natural gas, mostly in Oklahoma, but some in Kansas, and by means of pipelines" belonging to it, *in fact* transporting that gas from Oklahoma and Kansas into Kansas and Missouri, and, *after such interstate transportation, in fact,* selling the gas to distributing companies for resale in the states of destination. Such a state of facts presented the issue, as this Court observed, "in its simplest form and, if the claim of state power (i.e. to regulate the rates of sale by the Interstate Company to the distributing companies in the states of destination) be upheld, it is difficult to see how it could be denied in any case of interstate transportation and sale of gas." The case at bar is altogether in a different category. Here Interstate Company *admittedly (R. V. 1, pp. 82-83)* does not *in fact* transport natural gas across any state line nor does it *in fact* sell any of the gas here involved after interstate transmission. Moreover, there are no findings of any facts sufficient to make this case parallel the *Kansas Gas* case, because on the record no such findings could be made. So, this case is no part of that carefully defined "field" which Congress undertook to and did "occupy."

The *Kansas Gas* case, repeatedly cited by the Court of Appeals therefore is no authority, in fact or in law, for the conclusion of that Court: "That they (i.e. the field sales here in question) are sales in interstate commerce, we think is settled by the authorities" *(R. V. 2, pp. 913-914, 915, 917, 918).* As applied to this case, such broad conclusion necessarily implies that *within the terms of the Gas Act, and on the facts of this record,* the local field sales here involved embark Interstate Company directly into "interstate commerce." How and why, that Court does not disclose.

The case of *Public Utilities Comm. v. Attleboro Steam & Electric Co.* (1927), 273 U.S. 83, 47 S.Ct. 294, came to this Court on writ of certiorari to the Supreme Court of Rhode Island (1925), 46 R.I. 496, 129 Atl. 495. It is important that this Court consider the basic facts there involved, which are more fully stated in the opinion of the Supreme Court of Rhode Island than in the opinion of this Court, as follows:

> "The facts, so far as essential to the present inquiry, are as follows: *The Attleboro Company supplies electricity for public and private use in Attleboro, Mass.* The respondent, Narragansett Electric Lighting Company (hereinafter Narragansett Company), a Rhode Island corporation, is engaged in a general electric lighting, heating, and power business.
>
> "May 8, 1917, a contract was made by Narragansett Company, party of the first part, with two Massachusetts corporations, Attleboro Company, party of the second part, and *Seekonk Electric Company* (hereinafter Seekonk Company), party of the third part. The Narragansett Company agreed to sell to the Attleboro Company for a period of 20 years all the electrical energy used by the Attleboro Company and supplied to its customers in the city of Attleboro; such electrical energy was to be delivered at the state line between Seekonk, Mass. and East Providence, R. I., and to be metered on the transformers of the Attleboro Company at its generating plant in Attleboro; *the Seekonk Company agreed to secure the necessary rights of way through Seekonk and build therein a transmission line from the point of delivery at the state line to the boundary line between Seekonk and Attleboro, and there connect with the transmission line to be built by the Attleboro Company to connect with its station in Attleboro. The Narragansett Company agreed to build the transmission line for the Seekonk Company,* the latter to pay therefor, however, only the actual cost of material and labor and such other costs as would be considered assets to capitalize by the Massachusetts board of gas and electric light commissioners, the cost to the Seekonk Com-

pany in no event to exceed $4,500 a mile. A similar provision for construction was made with the Attleboro Company for its transmission line. The Narragansett Company agreed to pay annually to each of the companies 15 per cent. of the amounts paid by each to the Narragansett Company for such construction, and in addition to pay the Seekonk Company annually 15 per cent. of any additional expenditures for additions or changes in its lines. *The Attleboro Company agreed to furnish the necessary transformers, etc., at its station to receive the electric current, and the Narragansett Company agreed to pay the Attleboro Company $1,750 annually for the operation by the Attleboro Company of the receiving station. The Narragansett Company agreed to install and maintain as its property and at its expense meters on the transformers at the station of the Attleboro Company to measure and determine the amount of current received and to be paid for by said company.*

* * * * *

"The Attleboro Company agreed to retain and maintain its present generating station and machinery except its present engine driven units, and that the Narragansett Company at any time at its own expense might use the same for generating and supplying electrical energy to the Attleboro Company.

"*The Narragansett Company guaranteed to the Attleboro Company that the Seekonk Company would promptly and properly perform its contract obligations and to indemnify the Attleboro Company for any loss suffered by it because of any breach of the contract by the Seekonk Company.*

"May 14, 1917, the Narragansett Company filed with the Commission schedule No. 68, setting out the rate and general terms of the contract, and an application that said rate be approved as a special rate under section 42, Public Utilities Act (c. 795, P.L. 1912). May 23, 1917, the Commission made an order authorizing the Narragansett Company to grant a special resale rate to the Attleboro Company at the

state line in accordance with schedule No. 68. The parties proceeded to carry out the contract, and the Narragansett Company is still supplying electrical energy to the Attleboro Company. May 7, 1924, the Narragansett Company filed with the Commission schedule No. 125, setting out a rate for service to the Attleboro Company materially higher than the rate specified in the contract and schedule No. 68. At the solicitation of the Narragansett Company, the Commission, on its own motion, ordered an investigation and public hearing upon the propriety of the proposed change of rate, and directed that notice thereof be given by mail to the two companies. The Attleboro Company appeared at the hearing and made objection to the jurisdiction of the Commission. This objection was overruled, and a hearing was had on the merits of the proposed change. January 21, 1925, the Commission made an order, No. 876, to the effect that the contract rates were insufficient, unjustly discriminatory, and in violation of the Public Utilities Act; that the increased rates in schedule No. 125 were just and reasonable, and ordered that they should become effective February 1, 1925. *The Attleboro Company challenges this order, and claims it is unlawful and void on various grounds; the principal and decisive objection, in our judgment, is that said order is an improper interference by the state with interstate commerce.*

* * * * *

"The sale and transportation of electricity generated in one state, *and conveyed directly to a purchaser in another state* is interstate commerce." (Emphasis added.)

The foregoing facts disclose, *in fact* and without question, *an affiliate or control relationship* between the *Narragansett Company* and the *Seekonk Company. The Narragansett Company transmitted* the electric energy there in question from "the generating station of the Narragansett Company on the Providence River," *made delivery* thereof "at the state line between Seekonk, Mass. and East Provi-

dence, R. I." to the Seekonk Company, and the Seekonk Company then transmitted the energy in Massachusetts on a transmission line built for that Company by the Narragansett Company "to the boundary line between Seekonk and Attleboro," and there connected "with the transmission line to be built by the Attleboro Company to connect with its station in Attleboro." The Narragansett Company "guaranteed to the Attleboro Company that the Seekonk Company would promptly and properly perform its contract obligations * * *." Finally Narragansett Company installed and maintained its own meters "on the transformers at the station of the Attleboro Company to measure and determine the amount of energy received and to be paid for by said company."

Here then is interstate transmission *in fact* by the Narragansett Company and the Seekonk Company which the Narragansett Company controlled. After such interstate transmission from "the generating plant of the Narragansett Company on the Providence River," in Rhode Island "to the boundary between Seekonk and Attleboro," in Massachusetts, the metering, the sale and the delivery of the electric energy, *in fact*, are made by Narragansett Company directly to the Attleboro Company at the transformers of that Company at Attleboro, Massachusetts.

Such is the *Attleboro* case, the "field" which also we are told is "occupied" by Federal regulatory control, under the Power Act and the Gas Act. None of the basic facts there present are found by the Commission to be present in this case, nor could they be found on the record in this case. In the *Attleboro* case the Narragansett Company, acting directly and through its own controlled creation, the Seekonk Company, *actually* transmitted to, and delivered and sold (on the basis of meter readings at Attleboro), the contracted electric energy at Attleboro, Massachusetts.

Here, as the Commission expressly found:

> "*Interstate*, as an established course of business, *is engaged in the transportation, sale and delivery of natural gas purchased, produced and gathered in Monroe Field, Louisiana*, to Mississippi River Fuel Cor-

poration and Southern Natural Gas Company, *at a point near Perryville in the State of Louisiana,* and to United Gas Pipe Line Company for the account of Memphis Natural Gas Company *at a point near Guthrie in the State of Louisiana.*" (Emphasis added.)
(Comm. Finding No. 7, R. V. 1, p. 82).

Both the "point near Perryville" and the "point near Guthrie" where the Commission found "sale and delivery" is made, are in the Monroe Field, Louisiana.
(R. V. 2, Ex. 5, 6, 42.)

Thus each "sale and delivery" by Interstate Company at the points stated is a completed transaction, entirely consummated.

This Court is aware of the fact that the local field "sale and delivery" of natural gas by Interstate Company to each of the three interstate pipeline companies took place BEFORE *any interstate transportation and the subsequent sales for resale "in states other than Louisiana" by the respective interstate pipeline companies (Findings Nos. 7, 8). The Court also will observe that the "sale and delivery" of natural gas and electric energy involved in the Kansas Gas and Attleboro cases took place* AFTER *interstate transportation, and that in each case the "sale and delivery" in the state of destination was made by the company which in fact engaged in the interstate transportation of the natural gas and electric energy in question from the states of origin.*

The Commission's Finding No. 7 forecloses completely the fact of any actual interstate activity of any kind by Interstate Company in connection with the field sales in question. Yet in the *Attleboro* case, upon which the Court of Appeals repeatedly relied, the *actual* interstate activities and operations by the Narragansett Company and its controlled affiliate were the crux of the whole matter from which *facts* the general legal conclusion of "interstate commerce" necessarily followed.

The opinion of this Court in the *Attleboro* case (273 U.S. 83, 47 S.Ct. 294) of legal necessity was predicated upon the record in that case made before the Public Utilities Com-

mission of Rhode Island. The order of that Commission was reviewed and reversed by the Supreme Court of Rhode Island, which reversal was affirmed in this Court. This Court extensively reviewed the *Kansas Gas Company* case and concluded "It is clear that the present case is controlled by the Kansas Gas Co. Case" (273 U.S. 83, 89, 47 S.Ct. 294, 296). In discussing the *Kansas Gas Company* case and upon the facts there involved, this Court observed "that in the sale of gas in wholesale quantities, not to consumers, but to distributing companies for resale to consumers, *where the transportation, sale and delivery constitute an unbroken chain, fundamentally interstate from beginning to end*"—as by The Kansas Natural Gas Company and similarly by The Narragansett Company, the only situations then under judicial consideration,—"'the paramount interest is not local but national, admitting of and requiring uniformity of regulation.'" The foregoing, of course, is not "the flow" theory of the Commission rejected by Congress in 1935 and 1938 but, nevertheless, applied herein in 1943. Congress, in enacting the Power Act and the Gas Act, had no such misconception of the *Kansas Gas Company* and *Attleboro* cases (see the *Connecticut* case), for if so "the flow" concept would not have been rejected in the two Acts as enacted.

Thus the factual and legal basis upon which the *Attleboro* case is laid is the *actual*, not synthetic, transportation across state lines and the *actual*, not synthetic, subsequent delivery and sale in the state of destination, all by the same or an affiliated or controlled enterprise. As in the *Kansas Gas Company* case, the entire operation was single and *unitary in fact* in the *Attleboro* case.

In *Peoples Natural Gas Company v. Federal Power Comm.*, 127 F. (2d) 153, 155, 156, 158, Peoples Natural Gas Company admittedly was "an affiliated company" to New York State Natural Gas Corporation. Peoples Company sold natural gas in Pennsylvania to its affiliate, the New York Company, which immediately transported such gas into the State of New York, where it made sale thereof to others for resale. Such were the facts, as stated by the Court in that case. On these facts, the Commission (2 F.P.C. 1017) and Court of Appeals considered and treated

the combined operations of the two companies in Pennsylvania and in New York as a single affiliated enterprise, which is the *Attleboro* case.

That Court of Appeals insisted also that the statutory language "sale *in* interstate commerce," used in the Gas Act, included "sale *for* interstate commerce," the term of delineation of jurisdiction used in certain other federal statutes referred to in that Court's opinion. The Court's insistence, however, is not supported by anything except its own *ipse dixit*.

The references made in that opinion to several cases arising under various other acts of Congress, such as the Tobacco Inspection Act, the Agricultural Marketing Agreement Act of 1937, and the Sherman Anti-trust Act, add nothing, for all of such decisions were dependent upon the scope of the statutory authority involved in the particular enactment. Examination of the language of such acts and other similar acts discloses nothing similar in structure, in language or in intent to the Power Act and the Gas Act. See footnote 4, *ante*.

Separate, distinct, unrelated and non-affiliated companies do not become welded into a single or common interstate enterprise, *within the meaning and terms of the Power Act or the Gas Act*, merely because, *as here*, of the contract relationship of vendor and purchaser which is fully consummated *in the state of origin* and even though the local vendor knows that the purchaser thereafter will transport and sell the electric energy or natural gas so locally purchased in interstate commerce for resale. Constructive participation of the local vendor in the subsequent interstate transportation and sale for resale by the purchaser was not involved in the two cases under consideration (*Kansas Gas* and *Attleboro*). Such constructive legal participation could arise only under the Commission "flow" theory, which is not the law of the land, as embodied in the Power Act and the Gas Act. As we have shown, even the Commission is eager to concede that "independent producers," so-called, are not fastened into interstate commerce by the terms of the Gas Act. What is meant by the phrase "independent producer," we are not advised by the authoritative Commission spokesman. It is

evident, however, that Interstate Company is not considered by the Commission to be an "independent producer," as to whom it is said "*The Commission, of course, has no jurisdiction over the independent producer and cannot regulate the rates at which he sells gas to the pipeline company.*"

The only circumstance that possibly can distinguish Interstate Company from other producers of gas, who sell natural gas in the field of origin to an interstate pipeline, is not a difference in knowledge, as between producers, as to where the gas so sold is to be transported by the pipeline, and how sold by the purchaser after such transportation by it, but the bare fact that Interstate Company, aside from and independently of the local field sales here in question, is a "natural gas company" under the Act. Such fact is immaterial and without legal significance (*Canadian River Gas Co. v. Federal Power Comm.*, 324 U.S. 581, 588, 65 S.Ct. 829, 833; *Panhandle Eastern Pipe Line Co. v. Federal Power Comm.*, 324 U.S. 635, 641-642, 65 S.Ct. 821, 825).

Nor do the findings, opinion and order of the Commission or Court of Appeals herein predicate jurisdiction over such field sales, upon the fact that Interstate Company, separate from, independent of and disassociated from the sales here under consideration, owns and operates an interstate pipeline system, that is, the one to Baton Rouge (*R. V. 1, pp. 57-80, 81-86*).

It is common knowledge that virtually every field sale of natural gas by a producer is made to a pipeline company, known by the vendor to be engaged in "the transportation of natural gas *in* interstate commerce" and "the sale *in* interstate commerce of natural gas for resale" (See *Connecticut L. & P. Co. v. Federal Power Comm.*, 324 U.S. 515, 519-521, 65 S.Ct. 749, 751, 752).

This case and the decision (cited by the Court of Appeals, *R. 2, p. 913*) of *Cities Service Gas Company v. Federal Power Comm.*, 155 F. (2d) 694, now pending in this Court on application for certiorari (No. 556 October Term 1946) together develop the actual pattern of the inevitable and ultimate reach of the Commission for power over all activities of the natural gas industry. Whatever purported con-

struction of *Section 1(b)* of the Gas Act is indulged by Commission or court, the controlling and irresistible facts are, that: The Act contains no affirmative grant of any regulatory authority whatever over "the production or gathering of natural gas"; and it does contain a direct affirmative exclusion of such "production or gathering" from the provisions thereof. Moreover, the jurisdictional theories of Commission and Court of Appeals that all activities however local, including "production or gathering" were within the coverage of the Act, since they were or might be in the "flow" of commerce or "affect" directly or indirectly "commerce * * * among the several states," are directly contrary to the Act, as that law deliberately was written and enacted by Congress. The Congress, as has been pointed out, *supra,* was aware of and in fact fully considered all such theories and concepts of jurisdiction. It rejected them, in the exercise of its exclusive legislative prerogative in the matter. The authority sought, but expressly withheld by Congress, is non-existent so far as the Commission is concerned. Under the circumstances the attempted exercise thereof is contrary to law, whether with or without judicial approbation and approval.

CONCLUSION.

The "end result," therefore, of the Commission order and the opinion and judgment of the Court of Appeals would be to subject every producer and vendor of natural gas, who sells the same locally in the field of production to an interstate pipeline company, to the rate-regulatory jurisdiction of the Commission. This conclusion beyond question is aside from and beyond the clear Congressional intent and the specific affirmative and negative jurisdictional provisions of *Section 1(b)* of the Act.

The Commission is not at liberty, under any principles of orderly and ordered government, to apply, by variant statutory construction, one test of jurisdiction to one producer and another test of jurisdiction to another, as suits its purpose from time to time in situations which are essentially identical. Such, however, is the present course of Commission policy and procedure, to which the Court of Appeals

now has given its approval. The Act, in its delegation of regulatory authority is not elastic. Jurisdiction arises, if at all, under a fixed universal statutory formula, applicable to all alike. Neither the Commission nor the courts possess any discretion whatever in the matter.

It is urged with deep conviction that the lawful rights and freedoms of the many persons represented by these *Amici Curiae,* as well as all other producers of natural gas, are impaired permanently and without redress by the opinion and judgment of the Court of Appeals affirming the order of the Commission herein.

That Court by its action has permitted the Commission to grasp and exercise power and authority which, under law, it does not possess.

The Commission "flow" theory of rate-regulatory jurisdiction over Interstate Company and its sales of natural gas to the three interstate pipelines, fully and completely closed and consummated locally at the respective points of delivery in the Monroe Field, Louisiana, is not consistent with or in conformity with the meaning and terms of the Natural Gas Act.

The Court of Appeals concept of Commission rate-regulatory jurisdiction in this case is contrary to and without support in the findings of the Commission, is contrary to and without factual foundation in the record, and as applied to the local field sales here in question is not within or consistent with the intended and actual scope of Federal statutory control embodied in the Natural Gas Act."

In the *Canadian* case, *supra,* four members of this Court, in the face of the express grant of authority strictly limited to "the transportation" and to "the sale" of natural gas "in interstate commerce" and in the face of the statutory mandate that "the provisions of this Act * * * shall not apply to * * * the production or gathering of natural gas," nevertheless declared that the Act otherwise directly *authorized* the Commission to incorporate all phases of the

14. These infirmities, in the opinion and judgment of the Court of Appeals were presented fully to that Court by Amicus Curiae, upon petition for rehearing herein. (R. V. 2, pp. 930-938).

activities of production and gathering, that is to say, the business, the properties, the facilities, the operations, the revenues, the expenses and the earnings thereof, into and as an inherent and essential part: (1) of the Commission rate base of the regulated activities; (2) of the Commission cost of service including return allocated to the regulated activities; and (3) of the Commission order of rate reduction applicable alone to "the rates and charges" of the regulated activities. Apparently in order to prevent this emasculation of the specific statutory limitations on jurisdiction from appearing to have "given no meaning" whatever to the express statutory language of limitation and exclusion, it was said in the opinion referred to that some of the incidents of mere physical operation, which could not hamper in the slightest the broadest possible exercise of regulatory control, were excluded from Commission authority. Thus *Section 1(b)* was read out of the Act.

The Commission action, procedures and order here under review, into which similarly, directly and specifically are embodied and incorporated all the production and gathering activities of *Interstate* Company, when measured by any candid and forthright appraisal of the reality and substance thereof, are: actual regulation; specific regulation; direct regulation; and the full and complete reach of regulation of all phases of the manifold activities of the business of "production and gathering of natural gas." An affirmative blanket delegation of the most sweeping authority could not have resulted in the exertion in fact of a different, of a greater, or of a more detailed regulation both in form and in substance, than was herein exercised. (See, *Southern Pacific Company v. Interstate Commerce Comm., supra.)*

In the *Canadian* case, five members of this Court, on the other hand, found in the statutory delineation of jurisdiction and in the express exclusion of "the production or gathering of natural gas" from "the provisions of this Act," a withholding and a prohibition of all Commission authority, as stated by Mr. Justice Jackson, over "any direct regulation" of "the production or gathering of natural gas:"

Such then is the judicial record, and from that record it appears that a majority of this Court agreed upon the

principle of law involved, to-wit: the meaning and effect of the statutory exclusion in *Section 1(b)* of the Act, under consideration. Such a concurrence, therefore, was an authoritative determination and governs in all other cases *(United States v. Pink*, 315 U.S. 203, 216, 62 S.Ct. 552, 558).

Accordingly, the order of the Commission and the judgment of the Court of Appeals, being in error, must be vacated and set aside.

Respectfully submitted,

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In the
Supreme Court of the United States

October Term, 1946

No. 733

INTERSTATE NATURAL GAS COMPANY, INCORPORATED, a corporation,

Petitioner,

VERSUS

FEDERAL POWER COMMISSION, LOUISIANA PUBLIC SERVICE COMMISSION, CITY OF NEW ORLEANS, LOUISIANA, and CITY OF BATON ROUGE, LOUISIANA,

Respondents.

MOTION OF STATE OF OKLAHOMA FOR LEAVE TO FILE BRIEF AMICUS CURIAE AND BRIEF AMICUS CURIAE

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JANUARY, 1947.

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INDEX

PAGE

Motion of State of Oklahoma for Leave to File Brief Amicus Curiae 1-2

Brief in Support 3-29

Statement of Issues Material to This Brief 3

The Interest of the State 5

The Construction of the Act 7

Authority:—

Colorado Interstate Gas Co v. Federal Power Comm. and Canadian River Gas Co. v. Federal Power Comm., 324 U.S. 581, 89 L. ed. 1206 8

Federal Power Comm. v. Hope Nat. Gas Co., 320 U.S. 591, 88 L. ed. 333 8

Panhandle Eastern Pipe Line Co. v. Federal Power Comm., 324 U.S. 635, 89 L. ed. 1241 8

United States v. Katz, 271 U.S. 354, 70 L. ed. 986 9

Section 1(b) of the Natural Gas Act 7

Section 2 of the Natural Gas Act 7

(1) The exemption from the operation of the Act of the physical acts of producing and gathering gas without exempting the sales of gas by producers and gatherers would deprive the producing states of the power to conserve their natural resources and to protect the correlative rights of owners of oil and gas and would produce an intolerable conflict of jurisdiction 11

PAGE

Authority:—

Section 1(b) of the Natural Gas act 11

(2) Any attempt to regulate the prices received by the various producers and gatherers would be a colossal undertaking for which no provision has been made. 14

Authority:—

Oil and Gas Journal of April 20, 1946 14

(3) In the great majority of cases it would be utterly impossible for the Federal Power Commission to fix such prices on any standard whatever other than the whim or caprice of the Commission..... 16

Authority:—

Colorado Interstate Gas Co v. Federal Power Comm. and Canadian River Gas Co. v. Federal Power Comm., 324 U.S. 581, 89 L. ed. 1206 ..... 17, 21, 26

Federal Power Comm. v. Hope Nat. Gas Co., 320 U.S. 591, 89 L. ed. 333 ..... 17, 21

Panhandle Eastern Pipe Line Co. v. Federal Power Comm., 324 U.S. 635, 89 L. ed. 1241 18

Conclusion 28

In the Supreme Court of the United States

October Term, 1946

No. 733

INTERSTATE NATURAL GAS COMPANY, INCORPORATED, a corporation,

Petitioner,

VERSUS

FEDERAL POWER COMMISSION, LOUISIANA PUBLIC SERVICE COMMISSION, CITY OF NEW ORLEANS, LOUISIANA, and CITY OF BATON ROUGE, LOUISIANA,

Respondents.

MOTION OF STATE OF OKLAHOMA FOR LEAVE TO FILE BRIEF AMICUS CURIAE

The State of Oklahoma requests that it be granted permission to file the attached brief *amicus curiae* in support of petition of Interstate Natural Gas Company, Incorporated, for a rehearing on the petition for a writ of certiorari to the United States Circuit Court of Appeals for the Fifth Circuit.

It is the view of the State that the decision of the Circuit Court, if allowed to stand, will vitally affect the power of the States to regulate the production of natural gas and crude oil and the conservation of oil and gas reserves, contrary to the intention of the Congress as set forth in the Natural Gas Act.

It is the further view of the State that the Circuit Court of Appeals erred in so construing the Act of Congress as can be demonstrated by certain factors which we believe have not been presented to this Court.

WHEREFORE, movant prays that an order of this Court be entered allowing the filing of the attached brief *amicus curiae*.

MAC Q. WILLIAMSON,
Attorney General of Oklahoma,
HOUSTON W. REEVES,
Assistant Attorney General of Oklahoma,
Oklahoma City, Oklahoma.

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Respondents.

BRIEF OF THE STATE OF OKLAHOMA, AMICUS CURIAE, IN SUPPORT OF PETITION OF INTERSTATE NATURAL GAS COMPANY, INCORPORATED, PETITIONER, FOR A WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE FIFTH CIRCUIT.

STATEMENT OF ISSUES MATERIAL TO THIS BRIEF

The record shows that Interstate Natural Gas Company, Incorporated, owns gas wells and a gas gather-

ing system in the Monroe gas field in Louisiana, that it is engaged in producing, purchasing and gathering gas in that field; and that it sells and delivers a part of this gas in the Monroe field to three pipe line companies which receive the gas and transport and sell it in interstate commerce (statement by Interstate, R. II. 599-564; statement by Commission R. II. 577-581). Pursuant to a hearing, the Federal Power Commission issued its Order 91 (R. I. 55) asserting rate regulatory jurisdiction over these sales to these three pipe line companies and directing that the rates or prices for sales of gas to these pipe line companies be reduced as directed in said order. Upon appeal to the Circuit Court of Appeals of the Fifth Circuit, that court issued its opinion and order (R. II. 910-928) denying the petition of Interstate Natural Gas Company, Incorporated, for review of the said order of the Federal Power Commission.

In its said opinion, pursuant to which its said order was issued, the Circuit Court of Appeals held that the provisions of Section 1 (b) of the Natural Gas Act exempting from the provisions of the Act "the production or gathering of natural gas," do not operate to exempt from the rate regulatory jurisdiction of the Federal Power Commission prices received in the field by producers and gatherers of gas for gas sold to pipe line companies which subsequently transport and sell the gas in interstate commerce but that the said exemption applies only to the physical acts of

producing and gathering gas. In the opinion the court says:

> "We think petitioner's difficulties in construction and interpretation arise out of the fact that, treating unlike things as alike, it tries to read the exception with respect to production or gathering as an exception with respect to sales. There is no warrant in the act for so doing."

The court further held that a sale in the field at the terminal of the gathering line of a producer and gatherer of natural gas where all of the production and gathering and the sale and delivery of gas to the interstate carriers of natural gas took place within the State of Louisiana, became a sale in interstate commerce separate and apart from the production and gathering of gas and lost its character as a local activity because the purchasers subsequently transported and sold such gas in interstate commerce, even though the producer and gatherer had parted with all title, control and interest in the property, and was not interested in such gas, after the local sale and delivery.

THE INTEREST OF THE STATE

The State of Oklahoma is not interested in facts in this case which may or may not distinguish the said sales (by Interstate Natural Gas Company, Incorporated, in the Monroe Field to said three pipe line companies) from sales of gas made by other producers and gatherers generally to pipe line companies which transport and sell the gas in interstate commerce. But it is vitally interested in

the opinion of the Circuit Court of Appeals in this case as an authority or precedent to the effect that all sales of gas which is subsequently transported and sold in interstate commerce are sales in interstate commerce subject to the rate regulatory jurisdiction of the Federal Power Commission, whether or not such sales are made by producers and gatherers whose operations are limited to the production and gathering of such gas and are made at the termination of such producing and gathering operations within the state where such production and gathering took place. The State is vitally interested in having this Court review the decision of the Circuit of Appeals of the Fifth Circuit, and either reverse the decision or so limit the decision that it will not operate as a precedent or authority to the effect that all sales of gas by producers and gatherers of gas to pipe line companies which subsequently transport and sell such gas in interstate commerce are sales in interstate commerce and subject to the rate regulatory jurisdiction of the Federal Power Commission, even though made as an integral and necessary part of production and gathering of natural gas.

The production of crude oil and natural gas and the manufacture of products thereof constitute one of the most important industries of the State of Oklahoma and the conservation of crude oil and natural gas reserves and the prices received for crude oil, natural gas and products thereof are of paramount importance to the State and its citizens. Jurisdiction in the Federal Power Commission to

fix the prices received by all producers and gatherers for gas sold to pipe line companies which subsequently transport and sell the gas in interstate commerce would have a direct and substantial effect not only upon the prices received for such gas but also upon the conservation of all crude oil and natural gas reserves in the State, and the protection of the correlative rights of all owners of such crude oil and natural gas reserves, and upon the income of the State and its citizens. Just as the power to tax is the power to destroy, so the power to regulate wellhead and gathering prices is the power to control production and gathering. It is therefore of utmost importance to the State of Oklahoma and its citizens that this Court grant the writ and review the decision of the Circuit Court of Appeals.

THE CONSTRUCTION OF THE ACT

Section 1(b) of the Natural Gas Act provides:

> "The provisions of this chapter shall apply to the transportation of natural gas in interstate commerce, to the sale in interstate commerce of natural gas for resale for ultimate public consumption for domestic, commercial, industrial, or any other use, and to natural-gas companies engaged in such transportation or sale, *but shall not apply* to any *other transportation* or *sale of natural gas* or to the local distribution of natural gas or to the facilities used for such distribution or to the production or gathering of natural gas." (Emphasis is ours).

Section 2 of the Act defines interstate commerce as follows:

> " 'Interstate commerce' means commerce between any point in a State and any point outside thereof, or between points within the same State but through any place outside thereof, but only insofar as such commerce takes place within the United States."

While it may be assumed that the production and gathering of natural gas and the intrastate sales of such gas, which is subsequently transported and sold in interstate commerce, so affects interstate commerce that Congress *could* have exercised control over this part of the gas and oil industry if it had chosen to do so. It is clear that Congress *did not* see fit to exercise this power. Congress by the express provisions of the excluding language of Section 1(b) of the Act and by its definition of interstate commerce positively stated that it did not seek to regulate or control any phase of the industry other than *transportation and sale* of gas in *interstate commerce.* It further expressly stated that the Act should not apply to the "production or gathering of natural gas" or to "other sales."

Much has already been said in briefs before this Court and by the Court itself in regard to the significance of the phrase "the production or gathering of natural gas"(1) as used in Section 1(b) of the Act and, in briefs before this Court in other cases and in this case, the legislative history of the Act in respect of the use of that phrase

1. *Federal Power Commission* v. *Hope Natural Gas Company*, 320 U.S. 591, 88 L. ed. 333; *Colorado Interstate Gas Co.* v. *Federal Power Commission* and *Canadian River Gas Co.* v. *Federal Power Commission*, 324 U. S. 581, 89 L. ed. 1206; *Panhandle Eastern Pipe Line Co.* v. *Federal Power Commission*, 324 U.S. 635, 89 L. ed. 1241.

has been reviewed. We shall not in this brief undertake to extensively discuss any of the arguments that have already been made in this connection. Suffice it to say that the State concurs with the view that the phrase "production and gathering" excludes the sales made by production and gathering concerns to natural gas companies which subsequently transport and sell such gas in interstate commerce for the reason set forth in briefs already filed in this case. It is the position of the State that an additional and most compelling argument that Congress, by the exemption from the operation of the Act of "the production or gathering of natural gas," did not intend to vest in the Federal Power Commission rate regulatory jurisdiction over prices received by producers and gatherers of gas sold to pipe line companies which transport and sell the gas in interstate commerce lies in circumstances which apparently have not been pointed out either to this Court or to the Circuit Court of Appeals in this case. This brief will be primarily devoted to those circumstances.

It is a well established rule of statutory construction that whenever the words of a statute are susceptible of more than one meaning, they should not be given a construction which will result in an absurdity or impossibility[2] and it is the opinion of the State that that is precisely the result that would flow from the construction placed upon the Natural Gas Act by the Circuit Court of Appeals in this case.

2. *United States* v. *Katz*, 271 U.S. 354, 70 L. ed. 986.

In the opinion of the State, cogent evidence that Congress, by the exemption of "the production or gathering of natural gas" intended to exempt from the operation of the Act *the sales* by producers and gatherers as well as their physical operations is found in facts which have not been discussed, namely, (1) that the exemption from the operations of the Act of the physical acts of producing and gathering gas without exempting the sales of gas by producers and gatherers would deprive the producing states of the power to conserve their natural resources and to protect the correlative rights of owners of oil and gas and would produce an intolerable conflict of jurisdiction; (2) that any attempt to regulate the prices received by the various producers and gatherers would be a colossal undertaking for which Congress has apparently made no provision, and (3) that in the great majority of cases it would be practically if not utterly impossible for the Federal Power Commission to fix such prices on any standard whatever other than the whim or caprice of the Commission.[3] We shall illustrate these points briefly.

3. As we shall show in this brief, the operations of Interstate Natural Gas Company, Incorporated, involved in this case are unique in this respect, in that its gathering operations are not affected by, or a part of, the production of oil, or by-products generally.

(1) The exemption from the operation of the Act of the physical acts of producing and gathering gas without exempting the sales of gas by producers and gatherers would deprive the producing states of the power to conserve their natural resources and to protect the correlative rights of owners of oil and gas and would produce an intolerable conflict of jurisdiction.

Upon casual consideration, the decision of the Circuit Court of Appeals that Congress intended by the provisions of Section 1(b) of the Act to leave in the producing states jurisdiction over the physical operations of producers and gatherers but at the same time to vest in the Federal Power Commission rate regulatory jurisdiction over the prices received by producers and gatherers for gas sold to pipe line companies which transport and sell the gas in interstate commerce may appear to have some content but, upon more careful examination, it will be found to be a statement of an anomaly or a practical impossibility. It is a familiar maxim that he who controls the purse strings controls all.

For more than thirty years the State of Oklahoma has been engaged in the conservation of its oil and gas resources and the protection of the correlative rights of owners of these resources. By its statutes and through its only constituted regulatory authority, the Oklahoma State Corporation Commission, the State imposes many limitations and obligations upon the producers and gatherers of oil and gas for that purpose. It supervises and determines the manner of the completion of productive wells and the

plugging of dry holes and abandoned wells; it regulates the manner in which wells may be produced from more than one formation, and the manner in which formations containing salt water and other deleterious substances must be plugged off to prevent contamination of producing formations; it determines the proper spacing of wells and it requires the unitization of leases within designated spacing units; it limits or prohibits the production of wells having certain "gas-oil ratios"; and it limits the rates at which wells may be produced in various fields and parts of fields; it has recently fixed the field price of gas in the Guymon area of the Hugoton Field.

The orders of the Oklahoma State Corporation Commission for the conservation of crude oil and natural gas resources must, of course, be made in the light of the funds available to the oil and gas industry from the sale of its products. For example, an order requiring all wells producing oil and gas and having a gas-oil ratio in excess of a certain stated ratio to be limited in their production, or an order limiting the total production of gas in a certain field productive of oil and gas to a certain fixed volume, or a well spacing order limiting gas wells to one well to each square mile, or an order requiring all wells in a certain field to have an extra string of casing installed, might be reasonable enough with gas selling at ten cents per thousand cubic feet but unreasonable and confiscatory with gas selling at five cents per thousand cubic feet. The competitive

prices for crude oil and natural gas necessarily gravitate to those levels sufficient to produce for the industry funds with which to comply with such conservation orders but, obviously, rate regulatory jurisdiction in the Federal Power Commission over the prices received by producers and gatherers for gas sold to interstate pipe line companies would vest in the Federal Power Commission control over a substantial part of the funds available to producers of oil and gas for compliance with the conservation orders of the State of Oklahoma and would limit, if not destroy, the power of the State to conserve its crude oil and natural gas resources and to protect the correlative rights of owners thereof.

It may be suggested that, since the Natural Gas Act clearly leaves to the producing states control over the physical operations of the production and gathering of natural gas and denies that control to the Federal Power Commission, the Commission, as a matter of law, would, in fixing the prices of producers and gatherers of gas, have to allow them the cost of compliance with State regulatory orders. Obviously, such an argument is untenable. Any regulatory body empowered to regulate prices or rates must, of necessity, have some power to determine the reasonableness of expenditures made by the regulated company. While there might be some presumption in favor of the reasonableness of orders made under state conservation laws, there inevitably would be a point beyond which the Federal

Power Commission could challenge the reasonableness of such orders and the reasonableness of compliance therewith. Furthermore, the orders of the Federal Power Commission fixing rates or prices would necessarily be prospective in their operation and any orders by the state would be made in the face of prices already fixed. Such a conflict of authority would be confusing, and intolerable.

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(2) Any attempt to regulate the prices received by the various producers and gatherers would be a colossal undertaking for which no provision has been made.

In the State of Oklahoma alone there are thousands of wells productive of gas and there are eighty-eight natural gasoline plants. In nearby states from which gas flows into some of the same interstate channels as gas produced in Oklahoma, there are many more thousands of wells productive of gas and more than two hundred natural gasoline plants.[1] The operations of the owners of these gasoline plants are typical "gathering" operations. In a field productive of casinghead gas the gas is gathered together in a "gathering system" consisting of pipe lines converging from the wells to the natural gasoline plant and, after the extraction of natural gasoline, a part of the "residue gas" is returned to the leases through another system of field pipe lines, and residue gas over and above

1. 139 natural gasoline plants and 34 recycling plants in Texas, 27 natural gasoline plants and 4 recycling plants in Louisiana, 15 natural gasoline plants in Kansas, and 9 natural gasoline plants in New Mexico. See *Oil and Gas Journal*, April 20, 1946. For the purposes of this brief, the operation of recycling plants is substantially the same as that of natural gasoline plants as herein described.

that required for the operation of the plant and the operation of the wells is sold if a market is available, and some of this gas finds its way into interstate commerce. The respective investments, values and rates of production of all of these producers and gatherers of gas are unlike, and the conditions and circumstances under which they operate are dissimilar. Even if it were not practically impossible for the Federal Power Commission to regulate the prices received for gas by these producers and gatherers on any basis whatever other than the whim or caprice of the Commission, the task of regulating the prices received by these producers and gatherers on any individual basis would be one to stagger the imagination; and certainly would be a far greater task than Congress could have contemplated, since the desired regulation can be obtained by allowing the market value in the field in establishing the rate for regulated sales. On the other hand, their investments, values, rates of production and operating conditions, as well as the types and qualities of gas which they deliver, and the pressures and conditions under which they deliver the gas, are so dissimilar that any regulation of their prices on a group or mass basis obviously would amount to discrimination and probable confiscation.

(3) In the great majority of cases it would be utterly impossible for the Federal Power Commission to fix such prices on any standard whatever other than the whim or caprice of the Commission.

In the great majority of cases in the Mid-Continent area, the exploration for, and the development of, oil and gas resources and the production of oil and gas are so related that it would be utterly impossible for the Federal Power Commission to fix the prices received by producers and gatherers for natural gas on any standard whatever other than its whim or intuition; unless it had the jurisdiction not only to fix the prices for such natural gas but also to regulate all physical operations in the production of crude oil, natural gasoline and other products of crude oil and natural gas and to regulate the prices of those products as well. If this Court shall grant a writ of certiorari as prayed for, the State would like an opportunity to brief this matter at some length, but, for the present, a few illustrations will suffice.

One of the major services that the oil and gas industry performs for the public is the exploration for and development of new reserves. Producers in this industry must constantly search for new oil and gas reserves and must invest large sums of money in "wildcat" ventures. Necessarily many of the leases that are purchased are worthless and many of the exploratory wells are dry holes. The funds with which the industry performs this exploratory service must be derived from the sale of products by the

industry, and the level of prices for those products necessarily must be high enough to provide those funds. Obviously, any rate base standard, whether "prudent investment" or "value" be the rate base, would be wholly inadequate to provide such prices. For example, a producer who makes a discovery of crude oil and natural gas or either of them in Oklahoma must recoup from that successful venture for his exploratory failures which may have been in Texas or Arkansas. The return which he must have to maintain his business is wholly unrelated to his investment in this successful venture alone, and no "prudent investment" rate base standard as applied to natural gas produced by him in Oklahoma could possibly provide for reimbursement to him of a part of his investment in other localities on any basis other than a purely arbitrary one which necessarily must predetermine the price fixed in order to construct the rate base. The rate base standard with "value" as the rate base would be equally inadequate. As Mr. Justice Douglas has observed in the *Hope case*(1) and again in the *Canadian River case*,(2) value is the end product of the process of rate making, and not the starting point. The value of any article or thing, other than its sentimental value, is a reflection of its ability to produce revenue, and the control of the revenue necessarily includes the control of the value. This is particularly true of a gas lease the

1. *Federal Power Commission* v. *Hope Natural Gas Co.*, 320 U.S. 591, 88 L. ed. 333.
2. *Colorado Interstate Gas Co.* v. *Federal Power Commission*, and *Canadian River Gas Co.* v. *Federal Power Commission*, 324 U.S. 581, 89 L. ed. 1206.

value of which is entirely dependent upon the prices received for gas produced from the land covered by the lease. The regulation of prices received by producers and gatherers by the rate base standard with "value" as the rate base would inevitably result in reducing the value of the leases each successive time that the standard was employed.

But, in the great majority of cases, the fixing of prices received for gas by producers and gatherers would be met by an even greater obstacle. In Oklahoma as well as in the rest of the Mid-Continent area, there are far more wells productive of natural gas with oil than there are wells productive of natural gas only; and much of the gas which goes into interstate commerce is gathered and processed in the fields by gasoline plant operators whose operations have previously been described in this brief. As a rule, in the case of a producer who owns wells productive of crude oil and casinghead gas, the income from the crude oil is far greater than his income from the natural gas. In the case of the gasoline plant operator, his income from natural gasoline and other liquid hydrocarbons extracted from the gas in his gasoline plant are by no means "incidental" as they were to Panhandle Eastern Pipe Line Company[3] and in many cases the income from the natural gasoline and other liquid hydrocarbons exceeds the income from sales of "residue gas." The fact that the Commission does not have control over the physical operations of such a

3. *Panhandle Eastern Pipe Line Co. v. Federal Power Commission*, 324 U.S. 635, 89 L. ed. 1241.

producer or such a gasoline plant operator and does not have rate regulatory jurisdiction over the prices received for crude oil, natural gasoline and other liquid hydrocarbons would make it impossible for the Federal Power Commission to make even a bare mathematical application of any rate regulatory standard, whether "prúdent investment" or "value" be the rate base and, in fact, would make it utterly impossible for the Commission to fix the prices received by such producer and such gasoline plant operator by any rate base standard whatever other than the whim of the Commission.

Take the case of the producer. Having in mind that the level of prices in the oil and gas industry must be sufficient to support the exploration for new oil and gas reserves and that a producer must, from his "bonanza" or successful venture, recoup for his exploratory losses, it is to be expected that the "return" or revenue of this producer from crude oil alone may far exceed a rate of return on a "rate base" consisting of his productive wells and the leases on which they are located of six and one-half per cent or any other rate which the Federal Power Commission or any other rate regulatory body would consider reasonable on utility standards. Obviously the Commission could not make him give away his gas and it is equally as obvious that, if his operations in the production of crude oil and gas should result in a loss, it could not allow him a price for his gas which would give him an over-all re-

turn of six and one-half per cent on his investment. The only alternative for the application of a rate base standard would be some sort of allocation of his investment in, or cost of, his properties. The allocation would have to be either in the ratio of the volume of crude oil sold to the volume of gas sold or in the ratio of the respective incomes from these two products, but both of these ratios are subject to great fluctuation. In order to operate his leases properly, the producer must retain the right to use all of the residue gas needed for such operations. In the case of repressuring operations, this may require all of the available residue gas and leave none for sale. Consequently, the ratio between volumes of crude oil sold and the volumes of natural gas sold would fluctuate from time to time; and the ratio between the respective incomes from the two products would be subject to even greater fluctuation for the reason that the income from crude oil is the result of a fluctuating market price. It is therefore clear that it would be impossible to make even a bare mathematical application of a rate base standard to the fixing of the prices received by such a producer for his gas.

The fixing of the prices received for gas by the gasoline plant operator by rate base standards would meet precisely the same impossibility. In view of the risk involved in the investment in such a venture, it is to be expected that, in many cases, the income of the gasoline plant operator from the sale of natural gasoline and liquid hydro-

carbons alone would greatly exceed a "return" on the investment in, or value of, such operator's facilities of six and one-half per cent or any other return which the Federal Power Commission or any other rate regulatory body would consider reasonable on utility standards. Here again, the Commission could not require the operator to give away his gas and any allocation of the investment in, or value of, the properties would be equally as impossible as in the case of the producer.

The only other standards which have been suggested for use by the Commission in regulating the rates of the natural gas companies are (1) the competitive field price, and (2) the "functional test" suggested by Mr. Justice Jackson in the *Hope case* [1] and again in the *Canadian River case.* [2] It is clear that neither of these possible standards would offer any solution for the dilemma in which the Federal Power Commission would find itself in trying to regulate the prices received by the producer or the gasoline plant operator.

While the competitive field price would serve very well as a standard to gauge the allowance to be made to pipe line companies in respect of production from their own leases, it would be no standard at all by which to fix the prices received by producers and gatherers whose gas is sold to pipe line companies which transport and sell the

1. *Federal Power Commission* v. *Hope Natural Gas Co.*, 320 U.S. 591, 88 L. ed. 333.
2. *Colorado Interstate Gas Co.* v. *Federal Power Commission* and *Canadian River Gas Co.* v. *Federal Power Commission*, 324 U.S. 581, 89 L. ed. 1206.

gas in interstate commerce. This is for the reason that those producers and gatherers are, themselves, the principal competitors and the regulation of their prices would so narrow the field of competition that it would destroy the value of competitive price as a standard.

It is suggested by Mr. Justice Jackson that, by a "'functional test,'" an incentive or inducement could be offered to the producers to direct their gas into proper channels. In view of the fact that, in order to protect its tremendous investment, a pipe line company must, before construction of its line, be assured of supplies of gas by procuring purchase contracts which extend for some years, it is difficult to see how the Federal Power Commission could, through the medium of price fixing, offer any inducement to producers without approving contract prices established before the construction of the pipe line, which would be a strange procedure in the field of rate regulation. But, aside from that consideration, the suggested "functional test" would be completely inapplicable for the fixing of prices received for gas by a producer who owns wells productive of both crude oil and casinghead gas or by the owner of a gasoline plant. The producer and this gasoline plant operator are alike in one respect. They must retain a substantial measure of control over the volume of gas delivered. The requirements for gas for use as fuel in the operation of the producing properties may vary from time to time and may even consume all of the available gas. Neither can know

in advance exactly how much gas he will be able to sell to a given pipe line company at any given time. In the case of the gasoline plant operator, both the volume and the quality of the gas delivered to the pipe line company may depend, to a substantial measure, upon the extent of the extraction of liquid hydrocarbons from the gas. The extent of the extraction of liquid hydrocarbons affects materially the value of the gas to the pipe line company and, conversely, the price received by the plant operator has a direct bearing upon the volume of liquid hydrocarbons he will extract.

Gas is sold by such producers and such gasoline plant operators under a wide variety of circumstances and conditions. It may be sold at the well or it may be sold at a central delivery point. In either case, it may be sold at pressures ranging from atmosphere up to hundreds of pounds per square inch and the cost of delivery will vary with the pressure at which the gas is delivered. It may be "sweet" or it may be "sour" with widely varying sulphur content. If the gas, when produced, is sour, the seller may or may not treat it for the removal of sulphur depending upon his contract with the buyer. The value of gas for resale purposes may depend upon its heating value and the heating value of the gas delivered at different points may vary several hundred B.t.u.s per cubic foot.

The Commission clearly does not, under the Natural Gas Act, have control over the physical acts of producing

and gathering gas in the field. The Commission could not control the volumes of gas to be delivered by a producer or gasoline plant operator, the pressures at which it is delivered, the extent to which liquid hydrocarbons shall be extracted before delivery of the gas, nor the extent to which either the producer or gasoline plant operator must risk his capital in development or construction of facilities. If it had jurisdiction over the prices received by them for gas, it could consider all of these circumstances only as factors in determining the price to be paid for gas. But the value of the gas is determined by still another factor, namely, competition among the sellers. The price that a producer or gatherer can obtain for gas from a pipe line company is limited by the prices at which other producers and gatherers in the same field or in other fields are willing to sell gas to the same pipe line company. If the Commission had rate regulatory jurisdiction over the prices received by producers and gatherers for gas sold to interstate pipe line companies, it could not set the price to be paid to any particular producer or gatherer too low without forcing that producer or gatherer to use the gas in his own operations or to extract greater quantities of liquid hydrocarbons from the gas and thus reduce the quality of the gas; or to decline to risk his capital on further development or improvements while, on the other hand, it could not require the pipe line company to pay a higher price than the competitive prices at which other producers and

gatherers in the same area would be willing to sell their gas. In other words, if the Commission had rate regulatory jurisdiction over the prices received by producers and gatherers for gas sold to interstate pipe line companies, it would be bound by the same forces which fix competitive field prices and any attempt to fix such prices could be nothing more than attempt to ascertain the competitive field prices.

As a matter of fact, the only reason that it was possible for the Federal Power Commission to apply its "prudent investment" rate base standard to the operations of Interstate Natural Gas Company, Incorporated, in this case was the fact that that company had no wells in the Monroe field productive of crude oil and no gasoline plant in which it extracted natural gasoline from the gas sold by it to the three pipe line companies. The operations of Interstate Natural Gas Company, Incorporated, involved in this case were unique in this respect. It is a rare circumstance in the Mid-Continent area for the production and gathering of gas to be unaccompanied by either the production of crude oil or the operation of a recycling plant or a natural gasoline plant. As we have previously observed, there are in the Mid-Continent area far more wells productive of natural gas with oil than there are wells productive of natural gas only. In addition, in the Gulf Coast section of the Mid-Continent area there are many "distillate fields" in which the gas is gathered to a central point and processed in a "recycling plant" after

which a part or all of the gas is returned to the producing formations; and even in the cases where gas alone is produced, the gas usually contains sufficient quantities of hydrocarbons which can be removed and sold in liquid form that the operation of a gasoline plant for the removal of such hydrocarbons is usually an integral part of the production and gathering of such gas.

The foregoing discussion of the factors and conditions which must have necessarily been considered by the Congress, clearly demonstrate why the Congress was impelled to exclude the production and gathering of natural gas from the jurisdiction conferred upon the Federal Power Commission. Aside from all extraneous aids in construing the Act, it seems quite clear to the State of Oklahoma that the language employed by the Congress is not reasonably susceptible of the construction now placed thereon. Reverting to the legislative history of the enactment of the Natural Gas Act, it is found that this conclusion is supported by the reaction and statement of the persons closely connected with the drafting and passage of this legislation. In *Colorado Inter-State Gas Company* v. *Federal Power Commission*, 324 U.S. 581, Mr. Chief Justice Stone, Mr. Justice Roberts, Mr. Justice Reed, and Mr. Justice Frankfurter stated that the exemption of the production of natural gas from regulation excluded the power to fix the price of gas in the producing field. They further said:

> "The exclusion of production and gathering of natural gas from the regulatory authority of the Com-

mission is a command to the Commission not to regulate that which is excluded. Otherwise powers reserved to the state would be encroached upon contrary to the word and purpose of the Act, and a pretended government would be set up by the Commission's action, without the authority of Congress. (89 L. ed. 1232-33)."

Mr. Justice Jackson concurred in the majority opinion in said case, but stated that he would join in holding that an order of the Federal Power Commission which would have an immediate impact upon the production or gathering of gas to be beyond the jurisdiction of the Federal Power Commission. He further stated that he construed the majority opinion in which he concurred as only authorizing the Federal Power Commission to take evidence as to conditions and events quite beyond its regulatory jurisdiction where they are thought to effect the cost of that which clearly must be regulated by the Federal Power Commission. In the instant case, the Federal Power Commission has attempted to enter an order having a direct impact upon the gathering and production of gas; namely, the price which may be charged by the producer and gatherer to companies which engage in the subsequent transportation and sale in interstate commerce. It is difficult to conceive how any order of the Federal Power Commission could have a more direct impact upon any phase of the natural gas industry than the present order has upon the "gathering and production" of natural gas. Thus under the literal language of the Act as construed by five

Justices of this Court, the production and gathering of gas includes the field sales of such gas, and field sales of such gas to companies which subsequently transport and sell same in interstate commerce are not subject to the regulatory power of the Federal Power Commission.

CONCLUSION

From the foregoing discussion it should be clear (1) that an interpretation of the Natural Gas Act to mean that Congress intended to leave in the producing states control over the physical operations of the producers and gatherers and at the same time to vest in the Federal Power Commission rate regulatory jurisdiction over the prices received by producers and gatherers for gas sold to pipe line companies which transport and sell the gas in interstate commerce would, in fact, deprive the producing states of the power to conserve their oil and gas resources and to protect the correlative rights of owners thereof and would result in an intolerable conflict of jurisdiction, (2) that any attempt to regulate individually the prices received by the thousands of producers and the hundreds of natural gasoline plant operators whose gas is or may be sold to pipe line companies which transport and sell the gas in interstate commerce would be a colossal undertaking for which no adequate provision was made by Congress and any regulation of their prices on a group or mass basis would amount to discrimination and probable confiscation.

and (3) that, in the vast majority of cases, it would be utterly impossible for the Federal Power Commission to regulate the prices received by such producers and gatherers on any standard whatever other than the Commission's whim or caprice.

It cannot be assumed that Congress deliberately intended to produce an intolerable conflict between the states and a federal regulatory body or that it intended to do a vain or absurd or impossible thing. It therefore must be assumed that Congress intended that the prices received by producers and gatherers of gas should continue to be fixed in a manner consistent with our national economy, that is, by competition within the highly competitive oil and gas industry.

For the foregoing reasons, it is respectfully submitted that the petition of the Petitioner, Interstate Natural Gas Company, Incorporated, for a writ of certiorari should be granted.

THE STATE OF OKLAHOMA

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JANUARY, 1947.

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BRIEF BY INDEPENDENT NATURAL GAS ASSOCIATION OF AMERICA, AMERICAN PETROLEUM INSTITUTE, INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA AND MID-CONTINENT OIL & GAS ASSOCIATION, AMICI CURIAE, IN SUPPORT OF PETITION FOR REHEARING OF DENIAL OF WRIT OF CERTIORARI HEREIN.

SUPREME COURT OF THE UNITED STATES

October Term, 1946.

No. 733

INTERSTATE NATURAL GAS COMPANY, INCORPORATED, a Corporation, PETITIONER,

v.

FEDERAL POWER COMMISSION, LOUISIANA PUBLIC SERVICE COMMISSION, CITY OF NEW ORLEANS, LOUISANA, and CITY OF BATON ROUGE, LOUISIANA, RESPONDENTS.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE FIFTH CIRCUIT.

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January, 1947.

EASTWOOD PRINTING CO., 2031 CURTIS STREET, DENVER

SUBJECT INDEX.

	PAGES
Preliminary Statement	1- 5
I. The Facts	5- 6
II. The Commission Order	6
III. The Judgment of the Court of Appeals	7
IV. Present Legal Confusion	7
V. Contentions of Commission Counsel	7-11
VI. Applicable and Controlling Law	11-14
Conclusion	14

TABLE OF CASES.

	PAGES
Canadian River Gas Co. v. Federal Power Comm., 324 U.S. 581, 65 S.Ct. 829	7, 9, 13
Cities Service Gas Co. v. Federal Power Comm., 155 F. (2d) 694	8
Colorado Interstate Gas Co. v. Federal Power Comm., 324 U.S. 581, 65 S.Ct. 829	
Colorado-Wyoming Gas Co. v. Federal Power Comm., 324 U.S. 626, 65 S.Ct. 850	10
Connecticut L. & P. Co. v. Federal Power Comm., 324 U.S. 515, 65 S.Ct. 749	12, 13
Dahnke-Walker Milling Co. v. Bondurant, 257 U.S. 282, 42 S.Ct. 100	8
Federal Trade Comm. v. Bunte Bros., 312 U.S. 349, 61 S.Ct. 580	11, 13
Hartford Electric Light Co. v. Federal Power Comm., 131 F. (2d) 953	8
Hope Natural Gas Co. v. Federal Power Comm., 320 U.S. 591, 64 S.Ct. 281	9
House v. Mayo, 324 U.S. 42, 65 S.Ct. 517	5
Hughes Brothers Co. v. Minnesota, 272 U.S. 469, 47 S.Ct. 170	8
Illinois Natural Gas Co. v. Cent. Ill. Pub. Service Co., 314 U.S. 498, 62 S.Ct. 384	10
Kirschbaum v. Walling, 316 U.S. 517, 62 S.Ct. 1116	9, 13
Lemke v. Farmers Grain Co., 258 U.S. 50, 42 S.Ct. 244	8, 9
Missouri v. Kansas Gas Co., 265 U.S. 298, 44 S.Ct. 544	7, 10, 11
Panhandle Eastern Pipe Line Co. v. Federal Power Comm., 324 U.S. 635, 65 S.Ct. 821	9, 12

TABLE OF CASES (CONTINUED).

	PAGES
Peoples Natural Gas Co. v. Federal Power Comm., 127 F. (2d) 153	8
Public Utilities Comm. v. Attleboro Steam and Electric Co., 273 U.S. 83, 47 S.Ct. 294	7, 10, 11
Shafer v. Farmers Grain Co., 268 U.S. 189, 45 S.Ct. 481	8
Southern Pacific Co. v. Interstate Commerce Comm., 219 U.S. 433, 31 S.Ct. 288	12
Stafford v. Wallace, 258 U.S. 495, 42 S.Ct. 397	9
State Tax Comm. v. Interstate Natural Gas Co., 284 U.S. 41, 52 S.Ct. 62	8
Swift & Co. v. United States, 196 U.S. 375, 25 S.Ct. 276	9
United Fuel Gas Co. v. Hallanan, 257 U.S. 277, 42 S.Ct. 105	8
United States v. Chicago, M., St. P. & P. R. Co., 294 U.S. 499, 55 S.Ct. 462	12
United States v. Reading Co., 226 U.S. 324, 33 S.Ct. 90	9
Wisconsin Public Service Corp. v. Federal Power Comm., 147 F. (2d) 743	8

STATUTE.

Natural Gas Act, 52 Stat. 821, 15 U.S.C.A. 717 Section 1	2, 11, 12

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PRELIMINARY STATEMENT.

The judgment of this Court denying petition for writ of certiorari was entered herein on January 6, 1947.

This brief is presented by Independent Natural Gas Association of America, American Petroleum Institute, Independent Petroleum Association of America and Mid-Continent Oil & Gas Association, *Amici Curiae*, pursuant to consent as authorized by paragraph 9 of Rule 27 of this Court.

The only party respondent to this record possessed of any interest whatever in this proceeding is the respondent Federal Power Commission, represented by the Solicitor General of the United States. None of the questions and issues in which the respondents, Louisiana Public Service Commission, City of New Orleans, Louisiana, and City of Baton Rouge, Louisiana, originally were interested, are involved in any degree or at all in the review presently sought herein *(Comm. Br., pp. 4, 21)*. Such respondents now are merely nominal parties to this record, and named as such simply because each thereof was a party to the case before the Commission with respect to issues long since disposed of.

The issues here relate solely to the delegation of and limitations upon the rate-regulatory jurisdiction of the Commission under Section 1 of the Natural Gas Act, as enacted by the Congress.

The legality of the jurisdiction assumed by the commission herein has not been adjudicated by this Court in any case.

The inevitable consequence of the application of the Commission-determined conception of its authority over local producers, gatherers and vendors of natural gas is a matter of serious and nation-wide importance and concern, not alone to such local producers, gatherers and vendors, but to the producing States as such and to all future consumers of natural gas, particularly in States other than the States of origin of such gas.

If those, as Interstate Natural, who produce natural gas and make outright sale thereof locally in the field of origin to others, who thereafter and independently subject themselves to Commission regulatory authority by engaging in "the transportation * * * in interstate commerce" and "the sale in interstate commerce for resale" of such natural gas, are to be subjected to Commission regulatory authority, the result, now rapidly developing, is confusion, conflict and the breakdown of the administration of the Gas Act.

There are thousands upon thousands of such producer-field vendors throughout the country. The character of their titles and operations are widely variant. Many are owners; many are lessees, many are royalty owners and many are contractors of various types. Many are large enterprises, many are small enterprises and many are individual or partnership enterprises. Many are producers of gas only and many are producers of gas and oil in combination. Many sell the natural gas as produced at field pressures and many process the gas in one way or another, by compression, extraction, dehydration or purification, before such local field sale. Many have no contractual or other dealings or relations of any kind with a "natural gas company," many have more contractual dealings or relations with a "natural gas company" and many a one is, or is affiliated with, a "natural gas company."

Each such local producer-vendor, if subject to Commission regulatory control, must be accorded the same measure and character of regulation as all others. There can be no discrimination. Nor is the Commission jurisdiction elastic,—to be enlarged, to be restricted, or to be withdrawn at the will and convenience of the Commission. The Congress did not so enact, or so intend.

Thus the Commission, under its theory and assumption of jurisdiction, must embark upon the endless and actually impossible task of regulating "the costs" and field price of every such field vendor.

The exercise of such authority collides directly with the field prices of natural gas as heretofore and now fixed by local authority, such, for example, as the States of Texas and Oklahoma. In such local fixation of field prices, conservation, avoidance of waste, protection of relative property rights, pro-ration and numerous other factors are material. Over most of such factors the Federal Power Commission has no lawful authority whatever under the Gas Act or otherwise.

Naturally, the producing States, to the end of sensibly conserving their irreplaceable reservoirs of natural gas, are insisting on the utilization of vast quantities of "residue gas" and other "flare" production. Such gas generally

cannot be stored either below or above ground but must be used forthwith to avoid waste. Presently, the Federal Power Commission envisions itself as the price-protector of "the ultimate consumer," who ordinarily is resident of a State other than the State of production of the natural gas consumed by him. Tomorrow's benefits of conservation are remote as compared with today's "gas bill." In the very nature of things, the specific function of rate regulation today and the broad function of conservation today and tomorrow cannot be discharged by the same administrative agency if either function is to be performed properly, non-politically and really in the public interest.

Similarly, it is equally apparent that conservation, with the many factors necessarily involved therein, such as production, storage, waste, "end-use," pro-ration and price, as now developed and developing in Texas, Oklahoma, California, Louisiana, Kansas and elsewhere, cannot be brushed aside as not to be affected, seriously hampered and actually frustrated by the federal rate-regulatory control now asserted in this case by the Commission. The conflict between conservation by the States and such federal regulation is a very real one. There is no slightest foundation in the Gas Act for the present Commission assertion of power over local activities, including field production and sale.

Moreover, competitive field prices no longer can exist or establish market conditions, for the local vending price of every producer becomes a matter for individual determination in some sort of a rate case.

Congress, as is disclosed affirmatively, by the Act, by the development of the structure thereof, by the history of the legislation and by the common sense of the situation, intended no such confusion, no such conflict, no such intrusion of federal administrative authority into local affairs, and no such regulation of the oil and gas industries. Yet such is the impending and inevitable result of the current administrative and judicial assumptions as to the virtually limitless regulatory jurisdiction of the Commission over the natural gas industry and those engaged in any and every phase of that business.

Amici Curiae represent virtually the entire oil and natural gas industry of the country, and again ask the authoritative determination of the legality of the Commission-asserted jurisdiction, which is directly challenged in this case.

Since "a denial of certiorari by this Court imports no expression of opinion upon the merits of a case" (*House v. Mayo*, 324 U.S. 42, 48, 65 S.Ct. 514-521), the immediate and future grave nation-wide public and private interest cannot be served by such "a denial." Whatever the decision of this Court upon the merits might be, the direct adjudication of the issues here presented is a judicial function, which may not be discharged, by according *de facto* validity to the power asserted by the Commission but at the same time withholding the *de jure* determination of the propriety or impropriety of such Commission action.

The result is that the refusal of this Court to entertain, resolve and settle the jurisdictional question involved, enables the Commission *in fact* to define its own authority, unencumbered by any final or authoritative judicial approval or restraint whatever.

We summarize the relevant factual and legal controls here present:

I.

The Facts.

Interstate Company produces, gathers and purchases *locally* in Monroe Field, Louisiana, substantial quantities of natural gas, which gas is sold and delivered *locally* in the Monroe Field to three purchasing pipeline companies. Each of such pipeline companies prior thereto had extended its pipeline and compressor-station facilities *into* the Monroe Field for the purchase by and delivery to it of such gas in the Monroe Field and also for the purchase by and delivery to it of other natural gas in the Monroe Field from others than Interstate Company.

Such sales and deliveries by Interstate Company locally in the Monroe Field are completed consummated trans-

actions, after which Interstate Company has no right, title, interest, control or responsibility whatever with respect to such gas, its subsequent shipment, transportation or sale or any of the incidents thereof.

After such sales and deliveries of said gas by Interstate Company locally in the Monroe Field, each of the several purchasers thereof compresses, locally in its own compressor station in the Monroe Field, the gas so purchased from and delivered by Interstate Company (together with other gas purchased from and delivered by others) and thereupon transports the gas, so prepared by compression for shipment, into states other than Louisiana, where thereafter it is sold for resale for ultimate public consumption. Each of such purchasing pipeline companies, operating in different states, thus transports the gas in question "*in* interstate commerce" and sells it "*in* interstate commerce."

It is uncontradicted that *all* of the facilities, activities and business of Interstate Company herein involved, are local to and fully consummated and terminated in the Monroe Field, Louisana.

II.

The Commission Order.

The Commission, without any reference whatever to the terms of the Natural Gas Act, nevertheless concluded, under the theory of "constant flow": that "the transportation" by Interstate Company of natural gas "from the mouths of the wells from which it is produced" and the delivery thereof "at a point near Perryville" and "at a point near Guthrie," both in the Monroe Field, Louisiana, constituted "the transportation • • • *in* interstate commerce" of such gas; and that the complete and outright local Monroe Field sales of such gas "at a point near Perryville" and "at a point near Guthrie" constituted "sale *in* interstate commerce" of such gas *(R. V. 1, pp. 82-83)*.

In support of its conclusions, the Commission made no supporting finding of any kind, except the finding of "constant flow." Such is the record presented to this Court.

III.

The Judgment of the Court of Appeals.

The Court of Appeals *ignored* the "constant flow" theory of the Commission. That Court proceeded on the asserted applicability of the cases of *Missouri v. Kansas Gas Co.* (1924), 265 U.S. 298, 44 S.Ct. 544 and *Public Utilities Comm. v. Attleboro Steam and Electric Co.* (1927), 273 U.S. 83, 47 S.Ct. 294, to the facts of this case; and on the meaning attributed by the Court to the statutory exclusion from the coverage of the Natural Gas Act of "the production or gathering of natural gas." However, the meaning attributed to such "exclusion" by the Court of Appeals is not consistent with the views of Mr. Justice Douglas, and his three concurring associates, in the *Canadian River Gas Company* case (324 U.S. 581, 602-3), which views apparently were relied upon to some extent by the Court of Appeals *(R. V. 2, pp. 915-916)*.

IV.

Present Legal Confusion.

The foregoing theories of Commission jurisdiction herein by no means are identical. They rest upon different factual and legal foundations and in their application produce divergent consequences. Which, if any, of such jurisdictional theories is the true legal meaning, scope and effect of Section 1 of the Gas Act, therefore is and must continue to be unsettled and in confusion unless and until this Court adjudicates the controversy by its authoritative judicial determination.

V.

Contentions of Commission Counsel.

This Court having made no declaration of its views in this case, or in any other case, upon the fundamental issue herein presented, we are relegated to the contentions and citations advanced by Commission counsel in support of the rate reduction order under consideration. This entire issue of jurisdiction is disposed of by counsel in an off-hand, generalized and casual manner *(Comm. Br., pp. 8-17)*.

In the first place, the conclusion of a Circuit Court of Appeals is not a final or authoritative precedent as to the

principles of law or the scope of statutory jurisdiction which may have been at issue in such case. Especially is this true where this Court has denied certiorari and by such denial has refused to express any opinion whatever on the merits or propriety of the judgment involved. There can be neither express nor implied approval resulting from such denial in the face of the solemn declaration that such denial "imports no expression of opinion" by this Court *(House v. Mayo, supra)*.

Thus, logically and in common fairness, the following decisions now asserted by the Commission to control others than parties litigant therein must be disregarded here as not binding upon this Court or upon these *amici curiae*. This is true, irrespective of what the decision of the particular Court of Appeals may have been. The decisions so relied upon herein are: *Peoples Natural Gas Co. v. Federal Power Comm.*, 127 F.(2d) 153; *Cities Service Gas Co. v. Federal Power Comm.*, 155 F.(2d) 694; *Hartford Electric Light Co. v. Federal Power Comm.*, 131 F.(2d) 953; *Wisconsin Public Service Corp. v. Federal Power Comm.*, 147 F.(2d) 743 *(Comm. Br., pp. 8, 9, 11, 12, 16, 17, 20)*.

Similarly, decisions of this Court adjudicating whether a State in regulation or taxation has encroached upon the broad constitutional concept of "commerce * * * among the several states," an authority reserved to the Federal government, are not precedents in reliance upon which any authority whatever over any part or parcel of the natural gas industry lawfully can be appropriated by or delegated to the Federal Power Commission. Such Commission cited decisions are: *Dahnke-Walker Milling Co. v. Bondurant*, 257 U.S. 282, 42 S.Ct. 106; *State Tax Comm. v. Interstate Natural Gas Co.*, 284 U.S. 41, 52 S.Ct. 62; *Hughes Brothers Co. v. Minnesota*, 272 U.S. 469, 47 S.Ct. 170; *Lemke v. Farmers Grain Co.*, 258 U.S. 50, 42 S.Ct. 244; *Shafer v. Farmers Grain Co.*, 268 U.S. 189, 45 S.Ct. 481; *United Fuel Gas Co. v. Hallanan*, 257 U.S. 277, 42 S.Ct. 105 *(Comm. Br., pp. 9, 16, 17)*.

Again, all determinations by this Court as to the scope or coverage of federal statutes regulating "commerce * * * among the several states" are controlled and limited by the terms of the statutory grant of or limitation upon the particular authority delegated by the Congress. This principle,

of course, is foundational in our federal structure of government, although disregarded by Commission and Court of Appeals alike. The history of such legislation, uniformly and consistently through the years, discloses a careful, precise and discriminating use of language in the delineation of the federal authority which Congress in each particular enactment proposed should be exerted. As a matter of fact this Court heretofore in dozens of cases has rested its decisions on this thoroughly established and judicially understood Congressional technique *(Kirschbaum v. Walling,* 316 U.S. 517, 520-523, 62 S.Ct. 1116, 1118-1120). In this case the Commission relies on several such cases in which the broad jurisdictional grant of authority by the Congress is neither identical with nor similar to the admittedly limited jurisdictional delegation found in Section 1 of the Gas Act. The cited decisions are: *Lemke v. Farmers Grain Co., supra; Stafford v. Wallace,* 258 U.S. 495, 42 S.Ct. 397; *Swift & Co. v. United States,* 196 U.S. 375, 25 S.Ct. 276; *United States v. Reading Co.,* 226 U.S. 324, 33 S.Ct. 90 *(Comm. Br., p. 17). (See also Brief, Amici Curiae, pp. 12-15, 15-24.)*

Additionally, Commission counsel refer generally by citation to the cases of *Colorado Interstate Gas Company* (324 U.S. 581), of *Panhandle Eastern Pipe Line Company* (324 U.S. 635) and of *Hope Natural Gas Company* (320 U.S. 591). In none of the foregoing cases was there an *actual authoritative* determination of the highly controverted issues of Commission jurisdiction over "the production or gathering of natural gas" and other local operations and activities.

In each of such cases the company involved was: (1) The local field producer or purchaser; (2) the actual transporter in interstate transmission; and (3) the actual vendor of the natural gas in the State of destination, after interstate transportation in its own pipeline system. Here Interstate Company actually and admittedly is engaged *only* in one of the three enumerated activities, to-wit: the local field production, purchase and local field sale of natural gas *(R. V. 1, pp. 82-83; Comm. Br., p. 2).*

What the meaning, force and effect of the *three variant, divergent, minority* opinions of this Court in the *Canadian River Gas Company* case (324 U.S. 581) might be held to be as a precedent, this Court has been unwilling to clarify and

settle, although repeatedly requested so to do. *(See Brief Amici Curiae, pp. 53-55.)*

But whatever construction be given to the *Canadian River Gas Company* case, *supra*, and similar cases, on the foundation of the actual interstate operations there present, this case is something else and constitutes a much greater reach for jurisdiction. Here Interstate Natural engages in no operations or activities of any kind whatever which are or in reason can be claimed to be "in interstate commerce," except by some sort of legal fiction not embodied in the Gas Act.

The cases of *Illinois Natural Gas Co. v. Central Illinois Public Service Co.*, 314 U.S. 498, 62 S.Ct. 384 and *Colorado-Wyoming Gas Co. v. Federal Power Comm.*, 324 U.S. 626, 65 S.Ct. 850, also cited by Commission counsel *(Comm. Br., p. 16)*, are predicated upon specific Commission findings that each of such pipeline companies, operating in the States of destination and consumption of the gas, was part of "a single enterprise" engaged in the interstate transportation of gas from the State of origin and sale thereof for resale at the termination of the interstate transmission. The record here does not permit a finding of "a single enterprise" as between Interstate Natural and any of the three local Monroe field purchaser pipeline companies, and no such finding was indulged by the Commission *(R. V. 1, pp. 82-83)*.

The *Kansas Gas Company* and *Attleboro Company* cases, *supra*, are considered *infra*. Each of such cases involved *the operations of a single company*, extending from the State of production or generation to the ultimate sale for resale in the State of destination after interstate transportation by such company.

Whatever jurisdiction the Commission possesses over any portion of the property or operations of those engaged in the natural gas business, must find its specific warrant in Section 1 of the Gas Act. That section Commission counsel do not discuss. On the contrary, the *assumption* is *(Comm. Br., pp. 16-17)* that whatever authority Congress could have conferred somehow was vested in the Commission, a concept at war with our constitutional structure of government and with the decisions of this Court for much

more than a century. Thus is made manifest the fundamental and essential weakness of the Commission case.

VI.

Applicable and Controlling Law.

The Natural Gas Act provides, *as to the regulatory jurisdiction of the Commission:*

> *"The provisions of this Act shall apply to* • • • *transportation* • • • *in interstate commerce"* and *"sale in interstate commerce* • • •."

There is no other grant or delegation of regulatory authority contained in the Act.

The Act is silent as to "transportation" or "sale" which "affects," or is in the "flow" or "current" of commerce. None of the standard statutory terms by which the federal authority exerted by Congress is extended beyond that which is "*in* interstate commerce" can be found in Section 1, or in any other portion of the Act. The Congress deliberately *excluded* all concepts of enlargement from the coverage of the Gas Act, in the face of Commission proposals *(Br. Amici Curiae, pp. 18-23)* for complete overall coverage, and after specific consideration of the *Kansas Gas, Attleboro* and other cases now relied upon by the Commission *(Comm. Br., pp. 16-17)*. Such Congressional procedure is highly significant *(Federal Trade Comm. v. Bunte Bros.*, 312 U.S. 349, 352, 61 S.Ct. 580, 582).

The Commission in its brief identified the *Kansas Gas* and *Attleboro* cases with its "constant flow" theory herein applied *(Comm. Br., pp. 16-17)*. Such postulate is not consistent with the Act as enacted, for Congress specifically rejected the concept of jurisdiction predicated on "constant flow from the mouths of the wells • • •" *(Br. Amici Curiae, pp. 15-24)*. The two cases in question rest on the doctrine of a "single enterprise," extending from the State of origin to the ultimate sale, after interstate transmission, in the State of destination. The "single enterprise" foundation of jurisdiction, however, is not supported by the evidence or by any Commission finding in this case *(R. V. 1, pp. 63-67, 79-80, 82-83, 84-85)*. This case is not *in fact or in law* the *Kansas Gas* or the *Attleboro* case. *(See Brief, Amici Curiae, pp. 12-19.)*

There is no statutory grant or delegation of any regulatory authority whatever over "production or gathering" or over any of the property, facilities, activities, operations, revenues, expenses, profits, returns or incidents thereof.

The Commission rate reduction order herein, nevertheless, directly, avowedly and expressly *regulated* the property, the facilities, the activities, the operations, the revenues, the expenses, the profits, the return and other incidents of production and gathering *(R. V. 1, pp. 63-73, 75-80, 84-85)*. See *Southern Pacific Co. v. Interstate Commerce Comm.*, 219 U.S. 433, 31 S.Ct. 288.

The Commission being a creature of statute, it has no power or authority whatever, save that which the Congress by statute has delegated to it *(Panhandle Eastern Pipe Line Co. v. Federal Power Comm.*, 324 U.S. 635, 65 S.Ct. 821; *United States v. Chicago, M.St.P. & P. R. Co.*, 294 U.S. 499, 55 S.Ct. 462). For the purposes of this case the Natural Gas Act is the sole cachet of its authority.

What then is the legal foundation and warrant for the assumed regulatory authority exercised in this case by the Commission? It did not arise from any statutory "grant or delegation" of authority, for there is none such in the Act.

The Congress additionally enacted "specific denials of power to the Commission," which denials, in good faith, cannot be "construed" into either additional grants or delegations of authority, or as enlargements of any specific grant or delegation expressly made *(Connecticut L. & P. Co. v. Federal Power Comm.*, 324 U.S. 515, 65 S.Ct. 749).

The statutory "specific denials of power" are:

> "The provisions of this Act * * * *shall not apply to any other transportation or sale* of natural gas * * *"
>
> "The provisions of this Act * * * *shall not apply* * * * *to the production or gathering* of natural gas."

The language of *denial* of authority over "any other transportation or sale," certainly discloses neither expression nor intent to grant, but only to withhold authority.

Similarly, the absence of any statutory declaration of coverage of "production or gathering," separately considered or combined with the direct words of statutory denial of authority in connection therewith, discloses neither an intention nor an expression of a grant of authority over "production or gathering." From the face of the statute, exactly the opposite is manifest.

Yet, despite the entire absence of any *affirmative grant* or delegation of authority, and notwithstanding the *express denial* of authority, both Commission and Court of Appeals proceeded on the theory that, since Congress *could have exerted* a federal regulatory authority *from* the "mouths of the wells" or *from* the "point" of local field sale and delivery in the State and field of origin, the Commission properly may assume and exercise such authority. The actual assumption is that the Commission lawfully may do this, without any statutory grant or delegation of such authority, ascertainable from the Act, from the development of the structure thereof, from the legislative history of the Act, or from the established Congressional understanding and use of language in statutes relating to interstate commerce *(Br. Amici Curiae, pp. 12-15, 15-24)*. Such is not the law *(Kirschbaum v. Walling, supra, Federal Trade Comm. v. Bunte Bros., supra)*.

This Court in the foregoing cases made it emphatically clear that Congress invariably defines and differentiates with particularity the measure and scope of the actual Federal control over "commerce * * * among the several states" which it contemplates shall be exerted under each specific enactment. The Congressional refusal to grant the broad powers, as was here sought by an administrative agency, is compelling if not conclusive evidence that the broad authority proposed was in fact withheld. This Court has declared itself bound by such Congressional procedure.

Commission and Court of Appeals alike "found" an affirmative grant or delegation of authority in the statutory "specific denials of power." Such also was the conclusion of Mr. Justice Douglas, and his three concurring associates, in the *Canadian River Gas Company* case, *supra*. The statutory language of **exclusion** thus is converted into language

of inclusion *(See Connecticut L. & P. Co. v. Federal Power Comm., supra)*, and in this manner the regulatory authority which Congress refused to delegate to the Commission is appropriated by that administrative agency with judicial approval.

CONCLUSION.

Whether such presently is the considered viewpoint of *an actual majority* of this Court, certainly should be made clear and certain and not be permitted longer to rest in the realm of silence, speculation, assumption and uncertainty.

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January, 1947.

FILE COPY

IN THE

Supreme Court of the United States

OCTOBER TERM, 1946

NO. 733

INTERSTATE NATURAL GAS COMPANY, INCORPORATED,
Petitioner,

vs.

FEDERAL POWER COMMISSION, LOUISIANA PUBLIC SERVICE COMMISSION, CITY OF NEW ORLEANS, LOUISIANA, CITY OF BATON ROUGE, LOUISIANA,
Respondents.

BRIEF FOR THE STATE OF TEXAS AND THE RAILROAD COMMISSION OF TEXAS AS AMICI CURIAE IN SUPPORT OF THE PETITION FOR CERTIORARI

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Firm Foundation Print—Austin

SUBJECT INDEX

	Pages
Opinion of the Court Below	2
Interest of the State of Texas and The Railroad Commission of Texas	2
The Facts	3
Summary of the Argument	4
Argument	4
Conclusion	17
Certificate of Service	17

AUTHORITIES

	Pages
Canadian River Gas Company Case, 324 U. S. 602-3	5
Colorado Interstate Gas Company v. Federal Power Commission, 324 U. S. 602-3, 89 L. Ed. 1206	6, 9, 10, 12
Corzelius v. Harrell (Tex. Sup. Ct. 1945), 186 S. W. 2d 961	3
Missouri v. Kansas Natural Gas Company, 265 U. S. 298	6, 7, 8

AUTHORITIES—(Cont'd)

Pages

Peoples Natural Gas Company v. Federal Power Commission, 127 Fed. 2d 153 ..... 6, 8, 9

Public Utilities Commission v. Attleboro Company, 273 U. S. 83 ..... 6, 8

Railroad Commission v. Rowan and Nichols Oil Company, 310 U. S. 573, 84 L. ed. 1368, 60 S. Ct. 1021 2

Sun Oil Company v. Burford, 319 U. S. 315, 322, 87 L. ed. 1424, 1434 2

STATUTES

Pages

Natural Gas Act
Section 1(b) 4

Title 102, Revised Civil Statutes of Texas, 1925 ..... 2, 4

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BRIEF FOR THE STATE OF TEXAS AND THE RAILROAD COMMISSION OF TEXAS AS AMICI CURIAE IN SUPPORT OF THE PETITION FOR CERTIORARI

To The Supreme Court Of The United States:

Pursuant to Rule 27, the Attorney General of Texas respectfully presents this brief for the State of Texas and its Railroad Commission as *amici curiae* in support of the petition for certiorari in this cause.

OPINION OF THE COURT BELOW

The opinion of the Circuit Court of Appeals is reported, 156 F. 2d 949.

INTEREST OF THE STATE OF TEXAS AND THE RAILROAD COMMISSION OF TEXAS

This Honorable Court full well knows the deep and abiding interest of the State of Texas in the conservation of its natural resources (*Railroad Commission* v. *Rowan and Nichols Oil Company*, 310 U. S. 573, 84 L. Ed. 1368, 60 S. Ct. 1021); and in the preservation of its right of local self-control over those resources. The importance to this State of its right of local self-control was recognized by this Court in *Sun Oil Company* v. *Burford*, 319 U. S. 315, 322, 87 L. Ed. 1424, 1434, when the Court, speaking through Mr. Justice Black, said:

> "These questions of regulation of the industry by the State administrative agency . . . . clearly involve basic problems of Texas policy . . . ."

By way of implementing its right of local self-control over the oil and gas industry, the state has enacted many laws, most of which appear in Title 102 of its Revised Civil Statutes, 1925, and has vested in an administrative agency, the Railroad Com-

mission of Texas, extensive powers of regulation. *Corzelius* v. *Harrell* (Tex. Sup. Ct. 1945), 186 S. W. 2d 961. The production and gathering of gas are treated at length.

The Attorney General of Texas is therefore deeply concerned when an Act of the Congress is construed in such manner that an agency of the Government may, under color of authority of a constitutional act, assume to interfere with and exercise control over *purely local matters such as the production and gathering of gas.* This power has been vested in a Federal agency by the majority opinion of the 5th Circuit Court of Appeals.

THE FACTS

Petitioner in this case owns 110 producing gas wells and controls 56,555 acres of natural gas lands in the Monroe gas field of Louisiana. It gathers gas from its wells and the wells of others through its gathering system at the end of which a sale of the gas is made to another company in Louisiana in no way affiiliated with Petitioner. The majority opinion of the 5th Circuit Court of Appeals holds that the Federal Power Commission may rightfully, under the Natural Gas Act, control this entirely local production, gathering and sale of gas in Louisiana.

Presumably the same holding would be made as to the sale of gas in Texas by a Texas gatherer, not-

withstanding the express language of the Natural Gas Act that it shall not apply "to the production or gathering of natural gas," and notwithstanding that Texas might undertake to regulate such a sale under the provisions of Title 102 of the Revised Civil Statutes of Texas, 1925, as amended. Pertinent Texas statutes are printed in the appendix to this brief.

SUMMARY OF THE ARGUMENT

If the Attorney General correctly understands the import of the decision of the majority opinion of the Circuit Court of Appeals, he respectfully and sincerely urges that this Court reverse and render the decision. It is submitted that:

(1) The Circuit Court incorrectly interpreted Section 1(b) of the Natural Gas Act as vesting in the Federal Power Commission jurisdiction over the purely local activities of production and gathering of natural gas; and

(2) Such local activities are left by the Constitution of the United States to regulation by the States.

ARGUMENT

The jurisdiction of the Federal Power Commission is set forth in Section 1(b) of the Natural Gas Act (15 U. S. C. A. § 717b) as follows:

"The provisions of this act shall apply to the transportation of natural gas in interstate commerce, to the sale in interstate commerce of natural gas for resale for ultimate public consumption for domestic, commercial, industrial, or any other use, and to natural-gas companies engaged in such transportation or sale, *but shall not apply* to any other transportation or sale of natural gas or *to the local distribution of natural gas or to the facilities used for such distribution or to the production or gathering of natural gas.*" (Emphasis supplied.)

We take it to be the opinion of the majority of the 5th Circuit Court of Appeals that the language that the Act shall not apply to "the production or gathering of gas" means only that the Federal Power Commission should have no jurisdiction over "properties used for production and local distribution or the *activities* of producing and gathering;" and this only in the sense that the Commission could not provide drilling and well spacing regulations as suggested in the *Canadian River Gas case,* 324 U. S. at pps. 602-3.

It is respectfully submitted that when the Congress used the language that the provisions of the Act should apply "to the transportation of natural gas in interstate commerce, and to the sale is interstate commerce of natural gas," it had reference to its own definition of interstate commerce as "commerce between any point in a state and any point outside thereof, or between points within the same State but through any place outside thereof. . . . "

The transportation and sale here involved were wholly performed within the State of Louisiana. Moreover, from Section 1(a) of the Act, it would appear clear that it was the business of "transporting *and* selling" in interstate commerce to be regulated. The transportation activities of Petitioner here under consideration were not interstate in nature but purely local, that of producer and gatherer.

The majority opinion of the 5th Circuit Court of Appeals relies upon the following cases: *Missouri* v. *Kansas Natural Gas Company*, 265 U. S. 298; *Public Utilities Commission* v. *Attleboro Company*, 273 U. S. 83; *Peoples Natural Gas Company* v. *Federal Power Commission*, 127 Fed. 2d 153; and *Colorado Interstate Gas Company* v. *Federal Power Commission*, 324 U. S. 602.

We first respectfully submit that the opinion in the *Kansas Gas Company case*, 265 U. S. 298, is not helpful in the case at bar, nor do the facts there square with the facts here involved. Indeed, some of the language employed in the *Kansas* opinion may be construed to support the view here urged. In that case the Supply Company actually transported gas across state lines for delivery and sale to distributing companies which in turn sold to local consumers.

The Court said:

> "With the delivery of gas to the distributing companies, however, the interstate movement

ends. Its subsequent sale and delivery by these companies to their customers at retail is intrastate business and subject to state regulation. (265 U. S. 308)

". . .

"The business of supplying, on demand, local consumers is a local business, even though the gas be brought from another State and drawn for distribution directly from interstate mains; and this is so whether the local distribution be made by the transporting company or by independent distributing companies. In such case the local interest is paramount, and interference with interstate commerce, if any, indirect and of minor importance." (265 U. S. 309)

In other words, the court limited the interstate nature of the transaction to the actual interstate movement and sale by the Supply Company. When the gas had been delivered to the distributing company, intrastate commerce began.

The case at bar is the identical situation from the producing and gathering end. Gas is produced and gathered by Interstate wholly within Louisiana and sold in Louisiana. Interstate's control over the gas is there ended. It is *then* transported and sold in interstate commerce for resale and distribution in other states. It seems clear to the writers that following the example given in the *Kansas* case, the transaction is intrastate until delivered to the purchasers in Louisiana who actually transport and

sell in interstate commerce. The Natural Gas Act does not by its terms apply to sales of natural gas for resale in interstate commerce; it applies only to the *transportation* of natural gas in interstate commerce, *or* to the sale *in interstate commerce* of natural gas. Congress could easily have made the Act cover *all sales* of natural gas to be resold in interstate commerce, but this was not done.

For like reasons, the opinion of the Court in *Public Utilities Commission* v. *Attleboro Company*, 273 U. S. 83, cited by the majority, is not in point. The opinion in the *Attleboro* case is based upon that in the *Kansas* case. The facts in either case would fall squarely within the Natural Gas Act, being essentially interstate transactions. But the facts in the case at bar are entirely different. In the *Kansas* and *Attleboro* cases *the parties were dealing across state lines;* in the case at bar the transactions at issue are wholly performed within the State of Louisiana.

The next case cited by the majority of the 5th Circuit Court of Appeals is the case of *Peoples Natural Gas Company* v. *Federal Power Commission* (Ct. App., D. C.), 127 Fed. 2d 153. This case, the majority says:

> "Held that the provision that the act did not apply to the production or gathering did not limit the Commission's jurisdiction over such sales."

Contrary to the majority opinion of the Court, the writers of this brief have been unable to find any discussion in the *Peoples* opinion with respect to the production and gathering exception. The facts such as are given are those set forth at page 155 of the opinion and are taken from an allegation or statement in a Federal Power Commission exhibit attached to the pleadings:

> "The testimony and evidence adduced (at a certain hearing) shows, among other things, that Peoples sells natural gas at its Pew compressor station in Clarion County, Pennsylvania, to New York State Natural Gas Corporation, an affiliated company, and that the latter immediately transports said natural gas into the State of New York where it sells the same to others for resale for ultimate public consumption . . . ."

It does not appear from the opinion that the Peoples Company either alleged, proved, or contended that it came under the production and gathering exception and the Court neither quotes nor discusses that feature of the Natural Gas Act.

Finally, the Court relies on certain language contained in the opinion of Mr. Justice Douglas in *Colorado Interstate Gas Company* v. *Federal Power Commission*, 324 U. S. 602-3, 89 L. Ed. 1206, 1223, as follows:

> "That does not mean that the part of Sec. 1(b) which provides that the Act shall not apply

'to the production or gathering of natural gas' is given no meaning. Certainly that provision precludes the Commission from any control over the activity of producing or gathering natural gas. For example, it makes plain that the Commission has no control over the drilling and spacing of wells and the like. It may put other limitations on the Commission. We only decide that it does not preclude the Commission from reflecting the production and gathering facilities of a natural gas company in the rate base and determining the expense incident thereto for the purposes of determining the reasonableness of rates subject to its jurisdiction."

The majority opinion of the Circuit Court of Appeals concludes by this language the Supreme Court "rejected the argument which petitioner advances here that unless the meaning it contends for is given to the provision with respect to gathering and distribution, that provision will be meaningless."

It is respectfully urged that the language quoted from Mr. Justice Douglass' opinion should not be relied upon as an opinion of this Court in support of the Circuit Court's opinion that producing and gathering company sales are within the jurisdiction of the Federal Power Commission.

The *Colorado Interstate Gas Company case* was one in which the Power Commission had received evidence concerning producing and gathering operations in its hearing to formulate a rate base and rates for Colorado Interstate's activities which were

admittedly within the jurisdiction of the Federal Power Commission. The question was whether or not the receipt and consideration of such evidence by the Power Commission was proper, and this Court was divided on that question 5-4; Mr. Chief Justice Stone, Mr. Justice Roberts, Mr. Justice Reed and Mr. Justice Frankfurter all being of the opinion that the Power Commission should have distinguished between "regulable and non-regulable" activities.

It should at once be apparent therefore that Mr. Justice Jackson's separate concurring opinion assumes particular importance insofar as it differs from the language relied upon by the Circuit Court, from the opinion of Mr. Justice Douglass. In Mr. Justice Jackson's opinion, it is said:

> "It is true that the Act excludes 'production or gathering of natural gas' from jurisdiction of the Commission. *If the Commission had imposed any direct regulation upon that activity, I would join in holding it to have exceeded its jurisdiction. But the orders in question have no immediate 'impact' upon production or gathering of gas.*
>
> "The statute commands the Commission to regulate the price of natural gas transported and sold at wholesale in interstate commerce for resale. The Commission has investigated the fiscal aspects of production and gathering because of their bearing on the reasonableness of interstate rates. *I suppose a commission is free to take evidence as to conditions and events*

quite beyond its regulatory jurisdiction where they are thought to affect the cost of that whose price it is directed to determine. This, as I see it, is all that has been done here." (Emphasis supplied)

It would seem to be clear from Mr. Justice Jackson's opinion that the orders in the suit would have been held bad, if there had been an "immediate impact" upon the business of producing or gathering gas. What more "immediate impact" upon such business could be provided than an order governing the sales price for local producers and gatherers?

It is therefore respectfully submitted that in a case like the present where the Commission's order has an "immediate impact" upon the production or gathering of gas, the applicable rule of law is that stated in the dissenting opinion of Chief Justice Stone, concurred in by three others, in the *Colorado Interstate case*, as follows:

"The Act speaks in terms of activities which are regulated and those which are not. It subjects the interstate transportation and sale of natural gas, an activity, to the jurisdiction of the Commission, which includes the exercise of its rate-making function as prescribed by §§ 4 and 5, and which concededly extends to the valuation of properties used in interstate transportation and sale of natural gas and to the determination of a fair rate of return upon that value.

"Even though production and gathering could be thought to be a part of the regulated transportation and sale, that possibility is precluded by the words of § 1(b) which say: 'The provisions of this Act (including those of §§ 4 and 5 which prescribe rate making for the activity of transporting and selling wholesale) shall not apply' to another activity, 'the production or gathering of natural gas.'

"It does not seem possible to say in plainer or more unmistakable language that the one activity, interstate transportation and sale, is to be subjected to, and that the other, production, or gathering, is to be excluded from, the valuation and rate making powers of the Commission. To interpret the words 'production or gathering' in § 1(b) is the only way which the Court or the Government is able to suggest, as referring to the physical activities of drilling and spacing the gas wells, and thus excluding such activities alone from regulation, seems hardly plausible. It is true that 'production or gathering' are activities which may include the drilling and spacing of gas wells. But the 'transportation or sale' referred to in the phrase of § 1(b) 'but shall not apply to any other transportation or sale of natural gas . . . or to the production or gathering of 'natural gas,' is also an activity. . .

". . .

"No reason, founded upon the language of the statute or its purpose, is advanced for disregarding the plain command of § 1(b) excluding the production or gathering of the gas from

those other activities, the transporting and selling, which are subject to the regulatory provisions of §§ 4 and 5. The language was well chosen to accomplish exactly what the legislative history shows was intended to be accomplished. The report of the House Committee (h. Rep. No. 709, 75th Cong. 1st Sess.), recommending adoption of the bill which became Natural Gas Act, shows beyond doubt that the purpose of the legislation was to bring under Federal regulatory control the interstate transportation and sale of natural gas which had been held not to be subject to state regulation, in *Missouri ex rel. Barrett* v. *Kansas Natural Gas Co.*, 265 U. S. 298, 68 L. ed. 1027, 44 S. Ct. 544; cf. *Public Utilities Commission* v. *Attleboro Steam & Electric Co.*, 273 U. S. 83, 71 L. ed. 549, 47 S. Ct. 294, but to leave undisturbed all other matters which were then subject to state reguation, which included rate-making for production and gathering. See *Illinois Natural Gas Co.* v. *Central Illinois Pub. Serv. Co.*, 314 U. S. 498, 506, 86 L. ed. 371, 376, 62 S. Ct. 384; *Federal Power Commission* v. *Hope Natural Gas Co.*, supra (320 U. S. 609, 88 L. ed. 348, 64 S. Ct. 281). And upon the floor of the Senate the sponsor of the bill declared: 'It does not attempt to regulate the producers of natural gas or the distributors of natural gas, only those who sell it wholesale in interstate commerce.' 81 Cong. Rec. p. 9312. That the exemption of the production of natural gas from regulation was thought by the regulatory authorities themselves to exclude regulation, by the Commission, of the price of gas in the producing field, appears from the hearings upon the predecessor bill, which contained provisions identical with

or substantially equivalent to §§ 5(b), 6(a), 9(a), and 10(a) of the Act as finally passed, and § 1(b) of which declared that the provisions of the bill should not apply 'to the production of natural gas.'

"The exclusion of production and gathering of natural gas from the regulatory authority of the Commission is a command to the Commission not to regulate that which is excluded. *Otherwise powers reserved to the states would be encroached upon contrary to the words and purpose of the Act, and a pretended government would be set up by Commission action, without the authority of Congress.* (Emphasis supplied)

". . .

"But this does not mean that in fixing rates for a regulated business which derives its distributed product from an unregulated business that the property of the latter is not to be segregated from the regulated property, or that there can rightly be applied to it standards of valuation and rate of return which are applicable only to a regulated business. *Interstate Commerce Commission* v. *Goodrich Transit Co.* supra (224 U. S. 211, 56 L. ed. 736, 32 S. Ct. 436); *Smith* v. *Illinois Bell Teleph. Co.* supra (282 U. S. 151, 75 L. ed. 264, 51 S. Ct. 65); *Western Distributing Co.* v. *Public Serv. Commission*, supra (285 U. S. 123, 124, 76 L. ed. 657, 658, 52 S. Ct. 283). Otherwise its exclusion from regulation would be meaningless. The standards to be applied in order to make certain that the

regulated business is not paying too much for the product are those which currently apply in the unregulated business. This, as we have pointed out, was recognized by the Solicitor of the Commission in the hearings on proposed legislation culminating in the present Act. *He said that the unregulated price was controlling upon the Commission 'if the transaction is at arm's length. If the transaction is not at arm's length, of course, its reasonableness may be inquired into, under the decisions of the Supreme Court.'* (Emphasis supplied).

"...

"... Whether the facilities for the production of natural gas should be regulated and, if so, whether the regulation should be left to the states, as we think Congress has left it, are matters for Congress to determine. *If it be thought that petitioner's profits from production of gas are too great because they are unregulated, and if it be thought to be important that they be reduced, it is immensely more important that that be not accomplished by lawless action.*" (Emphasis supplied).

In Petitioner's brief your attention has been invited to the legislative history of the controversial sections of the Natural Gas Act as well as constructions of the Act by the Federal Power Commission in conflict with contentions made by that agency in this case.

CONCLUSION

Under the circumstances, it is submitted that the Congress plainly intended that regulation of the "production or gathering of natural gas," a local matter, be left to the States. The State of Texas earnestly urges that this court so hold.

Respectfully submitted,

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CERTIFICATE OF SERVICE

This is to certify that the brief attached hereto has been served upon all attorneys of record in this cause by mailing a copy of same to each of said attorneys.

Austin, Texas, March 14, 1947.

James D. Smullen
James D. Smullen
Assistant Attorney General

APPENDIX

Pertinent Texas Statutes

"In the event the Commission finds that the owner of any gas well has failed or refused to utilize or sell the allowable production from his well when such owner has been offered a connection or market for such gas at a reasonable price, such well shall be excluded from consideration in allocating the daily allowable production from the reservoir or zone in which same is located until the owner thereof signifies to the Commission his desire to utilize or sell such gas. In all other cases all gas wells shall be taken into account in allocating the allowable production among wells producing the same type of gas." (Section 20, Article 6008, Vernon's Annotated Civil statutes.)

"Power and authority are hereby conferred upon the Railroad Commission of Texas, over all common carrier pipelines conveying oil and gas in Texas, and over all oil and gas wells in Texas, and over all persons, associations or corporations owning or operating pipe lines in Texas, and over all persons, associations and corporations owning or engaged in drilling or operating oil or gas wells in Texas; and all such persons, associations and corporations and their pipe lines, oil and gas wells are subject to the jurisdiction conferred by law upon the Commission, and the Commission is authorized and empowered to make all necessary rules and regulations for the government and regulation of such persons, associations and corporations and their operations, and the Attorney General shall enforce the provisions of

this title by injunction or other adequate remedy and as otherwise provided by law. The word 'Commission,' as used in this title, shall mean the Railroad Commission of Texas. The word 'Commissioner' shall mean any member of the Railroad Commission." (Article 6023, Vernon's Annotated Civil Statutes.)

"The Commission shall establish and promulgate rates of charges and regulations for gathering, transporting, loading and delivering crude petroleum by such common carriers in this State, and for the use of storage facilities necessarily incident to such transportation, and prescribe and enforce rules and regulations for the government and control of such common carriers in respect to their pipe line and receiving, transferring and loading facilities. Such rates shall include both single and joint line transportation, deductions for evaporation and shrinkage, demurrage, storage, and overage, charges, and all other similar items. The basis of such rates shall be such as will provide a fair return upon the aggregate value of the property of any such carrier used and useful in the services performed after providing reasonable allowance for depreciation and other proper factors, and for reasonable operating expenses under honest, efficient and economical management, and provided further that the Commission shall have reasonable latitude in the establishment and adjustment of competive rates.

" . . ." (Section 6a, Article 6049a, Vernon's Annotated Civil Statutes).

"That in order to further conserve the natural gas resources of this State every person, association of persons, joint stock company, limited co-partnership,

partnership, corporation, gas pipe line company or gas purchaser now, or hereafter, claiming or exercising the right to carry or transport natural gas by pipe line or pipe lines, for hire, compensation or otherwise within the limits of this State, or which is now engaged or shall hereafter engage in the business of purchasing, or taking, natural gas, or residue gas or casinghead gas shall be a common purchaser thereof, and shall purchase, or take, such gas under such rules or regulations as may be prescribed by the Commission, in the same manner, under the same limitations against discriminations and subject to the common purchasers of oil." (Section 8a, Article 6049a, Vernon's Annotated Civil Statutes).

"The term 'gas utility' and 'public utility' or 'utility,' as used in this subdivision, means and includes persons, companies and private corporations, their lessees, trustees, and receivers, owning, managing, operating, leasing or controlling within this State any wells, pipe lines, plant, property, equipment, facility, franchise, license, or permit for either one or more of the following kinds of business:

"1. Producing or obtaining, transporting, conveying, distributing or delivering natural gas: (a) for public use or service for compensation; (b) for sale to municipalities or persons or companies, in those cases referred to in paragraph 3 hereof, engaged in distributing or selling natural gas to the public; (c) for sale or delivery of natural gas to any person or firm or corporation operating under franchise or a contract with any municipality or other legal subdivision of this State; or, (d) with any municipality or other legal subdivision of this State; or, (e) for sale or delivery of natural gas to the public for domestic or other use.

"2. Owning or operating or managing a pipe line for the transportation or carriage of natural gas, whether for public hire or not, if any part of the right of way for said line has been acquired, or may hereafter be acquired by the exercise of the right of eminent domain; or if said line or any part thereof is laid upon, over or under any public road or highway of this State, or street or alley of any municipality, or the right of way of any railroad or other public utility; including also any natural gas utility authorized by law to exercise the right of eminent domain.

"3. Producing or purchasing natural gas and transporting or causing the same to be transported by pipe lines to or near the limits of any municipality in which said gas is received and distributed or sold to the public by another public utility or by said municipality, in all cases where such business is in fact the only or practically exclusive agency of supply of natural gas to such utility or municipality, is hereby declared to be virtual monopoly and a business and calling affected with a public interest, and the said business and property employed therein within this State shall be subject to the provisions of this law and to the jurisdiction and regulation of the Commission as a gas utility.

"Every such gas utility is hereby declared to be affected with a public interest and subject to the jurisdiction, control and regulation of the Commission as provided herein." (Article 6050, Vernon's Annotated Civil Statutes.)

"The Commission after due notice shall fix and establish and enforce the adequate and reasonable

price of gas and fair and reasonable rates of charges and regulations for transporting, producing, distributing, buying, selling and delivering gas by such pipe lines in this State; and shall establish fair and equitable rules and regulations for the full control and supervision of said gas pipe lines and all their holdings pertaining to the gas business in all their relations to the public, as the Commission may from time to time deem proper; and establish a fair and equitable division of the proceeds of the sale of gas between the companies transporting or producing the gas and the companies distributing or selling it; and prescribe and enforce rules and regulations for the government and control of such pipe lines in respect to their gas pipe lines and producing, receiving, transporting and distributing facilities; and regulate and apportion the supply of gas between towns, cities, and corporations, and when the supply of gas controlled by any gas pipe line shall be inadequate, the Commission shall prescribe fair and reasonable rules and regulations requiring such gas pipe lines to augment their supply of gas, when in the judgment of the Commission it is practicable to do so; and it shall exercise its power, whether upon its own motion or upon petition by any person, corporation, municipal corporation, county, or commission's precinct showing a substantial interest in the subject, or upon petition of the Attorney General, or of any county or district attorney in any county wherein such business or any part thereof may be carried on." (Article 6053, Vernon's Annotated Civil Statutes).

"If any gas utility or other party at interest be dissatisfied with the decision of any rate, classification, rule, charge, order, act or regulation adopted by the Commission, such dissatisfied utility or party may

file a petition setting forth the particular cause of objection thereto in a court of competent jurisdiction in Travis County against the Commission as defendant. Said action shall have precedence over all other causes on the docket of a different nature and shall be tried and determined as other civil causes in said court. Either party to said action may have the right of appeal; and said appeal shall be at once returnable to the appellate court, and said action so appealed shall have precedence in said appellate court of all causes of a different character therein pending. If the court be in session at the time such right of action accrues, the suit may be filed during such term and stand ready for trial after ten days notice. In all trials under this article the burden of proof shall rest upon the plaintiff, who must show by clear and satisfactory evidence that the rates, regulations, orders, classifications, acts or charges complained of are unreasonable and unjust to it or them." (Article 6059, Vernon's Annotated Civil Statutes).

"Whenever any person, firm or corporation, owning, operating or controlling such gas pipe line shall violate any provision hereof or any rule or regulation of the Commission, the Commission shall, whenever in its judgment the public interests require it, apply to any court of this State having jurisdiction for a receivership of such concern guilty of such violation. Such receiver shall control and manage the property of such gas pipe line under the direction of the court as provided by law in receivership matters. The grounds for appointment of receiver provided for in this article shall be in addition to other grounds provided by law." (Article 6063, Vernon's Annotated Civil Statutes).

FILE COPY

In the
Supreme Court of the United States

OCTOBER TERM, 1946

No. 733

INTERSTATE NATURAL GAS COMPANY, INCORPORATED,
a Corporation,
Petitioner,

VERSUS

FEDERAL POWER COMMISSION,
LOUISIANA PUBLIC SERVICE COMMISSION,
CITY OF NEW ORLEANS, LOUISIANA, and
CITY OF BATON ROUGE, LOUISIANA,
Respondents.

BRIEF OF THE STATE OF OKLAHOMA, AMICUS CURIAE

THE STATE OF OKLAHOMA,
By:
MAC Q. WILLIAMSON,
Attorney General of Oklahoma;
HOUSTON W. REEVES,
Assistant Attorney General of Oklahoma,
Oklahoma City, Oklahoma.

MARCH, 1947.

KING LAW BRIEF COMPANY, 418 NORTHWEST THIRD, OKLAHOMA CITY—PHONE 3-2969

INDEX

PAGE

Statement of Issues Material to This Brief 1

The Interest of the State 3

The Construction of the Act 5

Authority:

Colorado Interstate Gas Co. v. Federal Power Comm., and Canadian River Gas Co. v. Federal Power Comm., 324 U.S. 581, 89 L.ed. 1206 6

Federal Power Comm. v. Hope Nat. Gas Co., 320 U.S. 591, 88 L.ed. 333 6

Panhandle Eastern Pipe Line Co. v. Federal Power Comm., 324 U.S. 635, 89 L.ed. 1241 6

United States v. Katz, 271 U.S. 354, 70 L.ed. 986, 7

Section 1(b) of the Natural Gas Act 5

(1) The exemption from the operation of the Act of the physical acts of producing and gathering gas without exempting the sales of gas by producers and gatherers would deprive the producing States of the power to conserve their natural resources and to protect the correlative rights of owners of oil and gas and would produce an intolerable conflict of jurisdiction 8

Authority:

Champlin Refining Co. v. Corp. Comm., 286 U.S. 210, 76 L.ed. 1062 9

Ohio Oil Co. v. Indiana, 177 U.S. 190, 44 L.ed. 729 9

Connally Act, Chapter 15A, Sections 715-715m, Title 15, U.S.C.A. 9

Interstate Oil Compact Act, Joint Resolution, July 7, 1943, 57 Stat., Part 1, Page 383 9

PAGE

Oil and Gas Journal, March 30, 1946, Page 254 9
Oil and Gas Journal, April 20, 1946 9
Thompson v. Cons. Gas Utility Corp., 300 U.S. 55, 81 L.ed. 510 9
United States Department of the Interior, Bureau of Mines, Mineral Year Book 1944 9, 11

(2) Any attempt to regulate the prices received by the various producers and gatherers would be a colossal undertaking for which no provision has been made, 15

(3) In the great majority of cases it would be utterly impossible for the Federal Power Commission to fix such prices on any standard whatever other than the whim or caprice of the Commission 16

Authority:

Colo. Interstate Gas Co. v. Federal Power Comm., and Canadian River Gas Co. v. Federal Power Comm., 324 U.S. 581, 89 L.ed. 1206 20, 27, 32
Federal Power Comm. v. Hope Nat. Gas. Co., 320 U.S. 591, 88 L.ed. 333 20, 27
Musselem v. Magnolia Petroleum Co., 107 Okla. 183, 231 Pac. 526 17
Panhandle Eastern Pipe Line Co. v. Federal Power Comm., 324 U.S. 635, 89 L.ed. 1241 21
Utilities Prod. Corp. v. Carter Oil Co., 72 Fed. (2d) 655 17
Buckley & Leverett, "Mechanics of Fluid Displacement in Sands." Technical Paper 1337, A.I.M.M.E. 1941 17
United States Department of the Interior, Bureau of Mines, Mineral Year Book 1944 16

Conclusion 34

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BRIEF OF THE STATE OF OKLAHOMA, AMICUS CURIAE

STATEMENT OF ISSUES MATERIAL TO THIS BRIEF

The record shows that Interstate Natural Gas Company, Incorporated, owns gas wells and a gas gathering system in the Monroe gas field in Louisiana, that it is

engaged in producing, purchasing and gathering gas in that field, and that it sells and delivers a part of this gas in the Monroe field to three pipe line companies which receive the gas and transport and sell it in interstate commerce (statement by Interstate, R. II, 599-564; statement by Commission, R. II, 577-581). Pursuant to a hearing, the Federal Power Commission issued its Order 91 (R. I, 55) asserting rate regulatory jurisdiction over these sales to these three pipe line companies and directing that the rates or prices for sales of gas to these pipe line companies be reduced as directed in said order. Upon appeal to the Circuit Court of Appeals of the Fifth Circuit, that court issued its opinion and order (R. II, 910-928) denying the petition of Interstate Natural Gas Company, Incorporated, for review of the said order of the Federal Power Commission.

In its said opinion, pursuant to which its said order was issued, the Circuit Court of Appeals held that the provisions of Section 1(b) of the Natural Gas Act exempting from the provisions of the Act "the production or gathering of natural gas," do not operate to exempt from the rate regulatory jurisdiction of the Federal Power Commission prices received in the field by producers and gatherers of gas for gas sold to pipe line companies which subsequently transport and sell the gas in interstate commerce but that the said exemption applies only to the physical acts of producing and gathering gas. In the opinion the court says:

"We think petitioner's difficulties in construction and interpretation arise out of the fact that, treating unlike things as alike, it tries to read the exception with respect to production or gathering as an exception with respect to sales. There is no warrant in the Act for so doing."

THE INTEREST OF THE STATE

The State of Oklahoma is not interested in facts in this case which may or may not distinguish the said sales (by Interstate Natural Gas Company, Incorporated, in the Monroe field to said three pipe line companies) from sales of gas made by other producers and gatherers generally to pipe line companies which transport and sell the gas in interstate commerce. But it is vitally interested in the opinion of the Circuit Court of Appeals in this case as an authority or precedent to the effect that all sales of gas which is subsequently transported and sold in interstate commerce are sales in interstate commerce subject to the rate regulatory jurisdiction of the Federal Power Commission, whether or not such sales are made by producers and gatherers whose operations are limited to the production and gathering of such gas and are made at the termination of such producing and gathering operations.

The State is vitally interested in having this Court review the decision of the Circuit Court of Appeals of the Fifth Circuit, and either reverse the decision or so limit the decision that it will not operate as a precedent or authority to the effect that all sales of gas by producers and gatherers

of gas to pipe line companies which subsequently transport and sell such gas in interstate commerce are sales in interstate commerce and subject to the rate regulatory jurisdiction of the Federal Power Commission, even though made as an integral and necessary part of production and gathering of natural gas.

The production of crude oil and natural gas and the manufacture of products thereof constitute one of the most important industries of the State of Oklahoma and the conservation of crude oil and natural gas reserves and the prices received for crude oil, natural gas and products thereof are of paramount importance to the State and its citizens.

Jurisdiction in the Federal Power Commission to fix the prices received by all producers and gatherers for gas sold to pipe line companies which subsequently transport and sell the gas in interstate commerce would have a direct and substantial effect not only upon the prices received for such gas but also upon the conservation of all crude oil and natural gas reserves in the State, and the protection of the correlative rights of all owners of such crude oil and natural gas reserves, and upon the income of the State and its citizens.

Just as the power to tax is the power to destroy, so the power to regulate wellhead and gathering prices is the power to control production and gathering. It is therefore of utmost importance to the State of Oklahoma and its

citizens that the decision of the Circuit Court of Appeals in this case be reversed or that it be modified in such manner that it will not be authority to the effect that the Federal Power Commission has rate regulatory jurisdiction over the prices received in the field by producers and gatherers of natural gas.

THE CONSTRUCTION OF THE ACT

Section 1(b) of the Natural Gas Act provides:

> "The provisions of this chapter shall apply to the transportation of natural gas in interstate commerce, to the sale in interstate commerce of natural gas for resale for ultimate public consumption for domestic, commercial, industrial, or any other *use*, and to natural-gas companies engaged in such transportation or sale, but *shall not apply* to any other *transportation* or *sale of natural gas* or to the local distribution of natural gas or to the facilities used for such distribution *or to the production or gathering of natural gas.*" (Emphasis is ours.)

While it may be assumed that the production and gathering of natural gas and the sales of such gas which is subsequently transported and sold in interstate commerce so affects interstate commerce that Congress *could* have exercised control over this part of the oil and gas industry if it had chosen to do so, it is clear that Congress *did not see fit to exercise this power*. Congress by the express provisions of the excluding language of Section 1(b) of the Act and by its definition of interstate commerce positively stated that it *did not seek to* regulate or control any phase

of the industry other than transportation and sale of gas in interstate commerce. It further expressly stated that the Act should not apply to the "production or gathering of natural gas" or to "other sales."

Much has already been said in briefs before this Court and by the Court itself in regard to the significance of the phrase, "the production or gathering of natural gas,"(1) as used in Section 1(b) of the Act and, in briefs before this Court in other cases and in this case, the legislative history of the Act in respect of the use of that phrase has been reviewed. We shall not in this brief undertake extensively to discuss any of the arguments that have already been made in this connection. Suffice it to say that the State concurs with the view that the phrase, "production and gathering," excludes the sales made by production and gathering concerns to natural gas companies which subsequently transport and sell such gas in interstate commerce for the reason set forth in briefs already filed in this case.

It is the position of the State that the most compelling argument that Congress, by the exemption from the operation of the Act of "the production or gathering of natural gas," did not intend to vest in the Federal Power Commission rate regulatory jurisdiction over prices received by producers and gatherers of gas sold to pipe line companies which transport and sell the gas in interstate commerce

1. *Federal Power Commission* v. *Hope Natural Gas Company*, 320 U.S. 591, 88 L.ed. 333; *Colorado Interstate Gas Co.* v. *Federal Power Commission* and *Canadian River Gas Co.* v. *Federal Power Commission*, 324 U.S. 581, 89 L.ed. 1206; *Panhandle Eastern Pipe Line Co.* v. *Federal Power Commission*, 324 U.S. 635, 89 L.ed. 1241.

lies in circumstances which apparently have not been pointed out either to this Court or to the Circuit Court of Appeals in this case.

It is a well established rule of statutory construction that whenever the words of a statute are susceptible of more than one meaning, they should not be given a construction which will result in an absurdity or impossibility[2] and it is the opinion of the State that that is precisely the result that would flow from the construction placed upon the Natural Gas Act by the Circuit Court of Appeals in this case.

In the opinion of the State, the best possible evidence that Congress, by the exemption of "the production or gathering of natural gas" intended to exempt from the operation of the Act *the sales* by producers and gatherers as well as their physical operations is found in facts which have not been discussed, namely, (1) that the exemption from the operations of the Act of the physical acts of producing and gathering gas without exempting the sales of gas by producers and gatherers would deprive the producing States of the power to conserve their natural resources and to protect the correlative rights of owners of oil and gas and would produce an intolerable conflict of jurisdiction. (2) that any attempt to regulate the prices received by the various producers and gatherers would be a colossal undertaking for which Congress has apparently made no provision, and (3) that in the great majority of cases it would

2. *United States* v. *Katz*, 271 U.S. 354, 70 L.ed. 986.

be utterly impossible for the Federal Power Commission to fix such prices on any standard whatever other than the whim or caprice of the Commission.(3)

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(1) The exemption from the operation of the Act of the physical acts of producing and gathering gas without exempting the sales of gas by producers and gatherers would deprive the producing States of the power to conserve their natural resources and to protect the correlative rights of owners of oil and gas and would produce an intolerable conflict of jurisdiction.

Upon casual consideration, the decision of the Circuit Court of Appeals that Congress intended by the provisions of Section 1 (b) of the Act to leave in the producing States jurisdiction over the physical operations of producers and gatherers but at the same time vest in the Federal Power Commission rate regulatory jurisdiction over the prices received by producers and gatherers for gas sold to pipe line companies which transport and sell gas in interstate commerce may appear to have some content, but, upon more careful examination, it will be found to be a statement of an anomaly or impossibility. It is a familiar maxim that he who controls the purse strings controls all.

As we have mentioned, the production of crude oil and natural gas and the manufacture of products thereof constitute one of the most important industries in the State

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3. As we shall show in this brief, the operations of Interstate Natural Gas Company, Incorporated, involved in this case are unique in this respect, in that its gathering operations are not affected by, or a part of, the production of oil or by-products generally.

of Oklahoma. In 1943 there were in the State a total of 55,430 wells productive of crude oil and natural gas,[4] twenty-seven refineries[5] engaged in refining crude oil, and eighty-eight gasoline plants[6] processing natural gas for the extraction of natural gasoline and other products. The income to the State from taxes on production, processing and sale of these products amounts to many millions of dollars each year, and the total income to the citizens of the State from these products is, of course, far greater. The conservation of its crude oil and natural gas resources and the protection of the correlative rights of its citizens therein, is, therefore, of utmost importance to the State, and for more than thirty years the State has been engaged in such conservation and protection of correlative rights. This Court has long recognized the power and right of the States to regulate the production of crude oil and natural gas for such purposes even though the crude oil or natural gas may, immediately upon production thereof, flow into interstate commerce;[7] and Congress has long recognized this power and has enacted statutes to assist in its enforcement.[8] Certainly, there is no implication in the Natural Gas Act that Congress intended by that Act to repeal those

4. United States Department of Interior, Bureau of Mines, Mineral Year Book 1944.

5. Oil and Gas Journal, March 30, 1946, Page 254.

6. Oil and Gas Journal, April 20, 1946.

7. *Thompson* v. *Consolidated Gas Utility Corp.*, 300 U.S. 55, 81 L.ed. 510; *Champlin Refining Company* v. *Corporation Commission*, 286 U.S. 210, 76 L.ed. 1062; *Ohio Oil Company* v. *Indiana*, 177 U.S. 190, 44 L.ed. 729; Statutes.

8. Connally Act, Chapter 15A, Section 715-715m, Title 15, U.S.C.A.; Interstate Oil Compact Act, Joint Resolution, July 7, 1943, 57 Stat., Part 1, Page 383.

statutes or stifle the power of the States to conserve their oil and gas resources or to protect the correlative rights of their citizens therein. Yet, we submit that that is precisely what the decision of the Circuit Court of Appeals in this case would do!

Let us see how these powers of the State are exercised. By its statutes and through its duly constituted authority, the Oklahoma State Corporation Commission, the State imposes many limitations and obligations upon the producers and gatherers of oil and gas for that purpose. When the production of crude oil or natural gas would otherwise exceed the market demand therefor and physical waste or economic waste would result, producers are required to limit their production. All producers are required, by plugging or casing wells in specified manner, to prevent salt water and other deleterious substances from entering oil and gas producing zones. When the production of oil wells with excessive quantities of salt water or the production of oil wells with high gas-oil ratios would result in the loss of ultimate production or the injury of the properties of others, the operation of such wells is limited or prohibited. When the drilling of separate wells on too small tracts would result in excessive drilling and resultant physical or economic waste, the operators may be required to "pool" or "unitize" their tracts, or their operations may be restricted to accomplish the same results; and when the ultimate recovery of oil and gas may be increased by

unitizing leases and returning gas to producing formations, the statutes provide for such operations.

In practically every field productive of crude oil and natural gas, some or all of the "casinghead gas" or gas produced with the oil is "gathered" together through "gathering systems" to a central point or points where it is processed in one or more "natural gasoline plants" for the extraction of natural gasoline and other products, after which a part or all of the remaining "residue" gas is returned to the various leases for use in their operations and any gas not needed for that purpose is sold by the natural gasoline plant operator, usually for the account of himself and the operators from whom he receives the gas, or is sold by the producers for their own account. A tremendous volume of this "residue gas" from casinghead gas produced in Oklahoma goes into interstate commerce, and even greater volumes of such gas and similar gas from recycling operations goes into interstate commerce from other States in the Mid-Continent area.(9)

These "gathering" and processing operations are such an integral part of the operation of the leases that many of the orders and regulations made for the conservation of oil and gas reserves and the production of correlative rights

9. United States Department of Interior, Bureau of Mines, Mineral Year Book 1944. Arkansas, 3,150 oil wells and 190 gas wells; Kansas, 23,100 oil wells and 1,990 gas wells; Louisiana, 7,250 oil wells and 1,790 gas wells; Mississippi, 370 oil wells and 20 gas wells; New Mexico, 3,980 oil wells and 120 gas wells; Texas, 100,800 oil wells and 3,560 gas wells. See Mineral Year Books.

therein must be directed toward these operations as well as the mere operation of the wells.

The language of Section 1 (b) of the Natural Gas Act makes it perfectly clear that Congress did not intend to interfere with this power of the States to control the physical acts of producing and gathering gas in order to conserve oil and gas resources and to protect correlative rights therein; but the decision of the Circuit Court of Appeals in this case necessarily presupposes that this power can be exercised by the State while the Federal Power Commission at the same time has the power to regulate the prices received by the producers and gatherers for that part of the gas which goes into interstate commerce. Nothing could be farther from the truth.

The orders of the Oklahoma State Corporation Commission, or of the duly constituted regulatory body of any other State, for the conservation of crude oil and natural gas resources must, of course, be made in the light of the funds available to the oil and gas industry from the sale of those products. For example, an order requiring all wells producing oil and gas and having a gas-oil ratio in excess of a certain stated ratio to be limited in their production, or an order limiting the total production of gas in a certain field to a certain fixed volume, or a well spacing order limiting gas wells to one well to each square mile, or an order requiring all wells in a certain field to have an extra string of casing installed, might be reasonable enough with gas selling at ten cents per thousand cubic feet but un-

reasonable and confiscatory with gas selling at five cents per thousand cubic feet; and the prices which can be received from "residue gas" necessarily have an important bearing upon the reasonableness of an order which requires or necessitates that a certain field or portion of a field be "unitized" and the gas returned to the producing formation in a manner that will best conserve oil and gas resources.

The competitive prices for crude oil and natural gas necessarily gravitate to those levels sufficient to produce for the oil and gas industry funds with which to comply with such conservation orders, but, obviously, rate regulatory jurisdiction in the Federal Power Commission over prices received by producers and gatherers for gas sold to interstate pipe line companies would vest in the Federal Power Commission control over a substantial part of the funds available to producers of oil and gas for compliance with conservation orders of the State of Oklahoma and would limit, if not destroy, the power of the State to conserve its crude oil and natural gas resources and to protect the correlative rights of owners thereof.

As we mentioned in our brief *amicus curiae* in support of the petition herein for a writ of *certiorari*, the Oklahoma State Corporation Commission recently issued an order undertaking to fix the field prices for gas in the Guymon area of the Hugoton Field. Appeals from that order are now pending in the courts. In case it be suggested that the issuance of that order is in conflict with the assertions hereinafter made in regard to the impossibility of the regu-

lation of field prices for gas on any rate regulatory standard, we wish to point out that this order of the Oklahoma State Corporation Commission is not based on rate regulatory standards but is issued purely in furtherance of conservation of gas. Also, it has to do with a field in which no crude oil is produced and in which, therefore, many of the complexities of oil and gas operations which make the application of utility rate regulatory standards impossible do not exist.

It may be suggested that, since the Natural Gas Act clearly leaves to the producing States control over the physical operations of the production and gathering of natural gas and denies that control to the Federal Power Commission, the Commission, as a matter of law, would, in fixing the prices of producers and gatherers of gas, have to allow them the cost of compliance with State regulatory orders. Obviously, such an argument is untenable. Any regulatory body empowered to regulate prices or rates must, of necessity, have some power to determine the reasonableness of expenditures made by the regulated company. While there might be some presumption in favor of the reasonableness of orders made under State conservation laws, there inevitably would be a point beyond which the Federal Power Commission could challenge the reasonableness of such orders and the reasonableness of compliance therewith. Furthermore, the orders of the Federal Power Commission fixing rates or prices would necessarily be prospective in their operation and any orders by the State

would be made in the face of prices already fixed. Such a conflict of authority would be intolerable.

(2) Any attempt to regulate the prices received by the various producers and gatherers would be a colossal undertaking for which no provision has been made.

In the State of Oklahoma alone there are thousands of wells productive of gas and there are ighty-eight natural gasoline plants. In nearby States from which gas flows into some of the same interstate channels as gas produced in Oklahoma, there are many more thousands of wells productive of gas and more than two hundred natural gasoline plants.(10) The operations of the owners of these gasoline plants are typical "gathering" operations hereinabove described. The respective investments, values and rates of production of all of these producers and gatherers of gas are unlike, and the conditions and circumstances under which they operate are dissimilar. Even if it were not impossible for the Federal Power Commission to regulate the prices received for gas by these producers and gatherers on any basis whatever other than the whim or caprice of the Commission, the task of regulating the prices received by these producers and gatherers on any individual basis would be one to stagger the imagination: and cer-

10. 139 natural gasoline plants and 34 recycling plants in Texas, 27 natural gasoline plants and 4 recycling plants in Louisiana, 15 natural gasoline plants in Kansas, and 9 natural gasoline plants in New Mexico. See Oil and Gas Journal, April 20, 1946. For the purposes of this brief, the operation of recycling plants is substantially the same as that of natural gasoline plants as herein described.

tainly would be a far greater task than Congress could have contemplated. On the other hand, their investments, values, rates of production and operating conditions, as well as the types and qualities of gas which they deliver, and the pressures and conditions under which they deliver the gas, are so dissimilar that any regulation of their prices on a group or mass basis obviously would amount to discrimination and probable confiscation.

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(3) In the great majority of cases it would be utterly impossible for the Federal Power Commission to fix such prices on any standard whatever other than the whim or caprice of the Commission.

As we have previously indicated herein, in the State of Oklahoma, as in other nearby States in the Mid-Continent area, a tremendous volume of the natural gas which is produced, is produced in the form of "casinghead gas" from oil wells. The latest published statistics readily available[11] show that, as of the end of 1943, out of a total of 55,430 wells in the State of Oklahoma, 53,100 were oil wells which produced 163,000,000,000 cubic feet of casinghead gas, and 2,330 were gas wells which produced 161,000,000,000 cubic feet of gas well gas. In other nearby States the excess of the number of oil wells over the

11. United States Department of Interior, Bureau of Mines, Mineral Year Book 1944.

number of gas wells was even greater,[12] and while we have not undertaken to review the statistics further, it may be assumed that, in those States, the volumes of casinghead gas produced is equally as great a percentage of the total volumes of gas produced.

This casinghead gas is produced from the same formations from which the crude oil is produced and in the same producing operation as the crude oil.[13] The expansion of the gas acts as the driving force which drives the crude oil into the well bore and the production of the crude oil is completely dependent upon this force.[14] Conversely, the volume of casinghead gas produced and the resulting cost of production per unit of volume of gas are entirely dependent upon the volume of crude oil produced. This casinghead gas is usually rich in recoverable hydro-carbons extracted from the gas in the form of "natural gasoline," butane and other products. As we have mentioned before, this casinghead gas usually is "gathered" or collected through "gathering systems" to a central point or points where the recoverable products are removed in one or more "natural gasoline plants" and all of the remaining "residue gas" which is needed for the operation of the producing

12. Arkansas, 3,150 oil wells and 190 gas wells; Kansas, 23,100 oil wells and 1,990 gas wells; Louisiana, 7,250 oil wells and 1,790 gas wells; Mississippi, 370 oil wells and 20 gas wells; New Mexico, 3,980 oil wells and 120 gas wells; Texas 100,800 oil wells and 3,560 gas wells. See Mineral Year Book referred to in Footnote 11.

13. *Musselem* v. *Magnolia Petroleum Company*, 107 Okla. 183, 231 Pac. 526, and *Utilities Production Corp.* v. *Carter Oil Co.* (Circuit Court of Appeals, 10th Circuit, from Oklahoma), 72 Fed. (2d) 655.

14. Buckley & Leverett, "Mechanics of Fluid Displacement in Sands," Technical Paper 1337, A.I.M.M.E., 1941.

leases is returned through field pipe lines to such leases for that purpose.

As the science of production of oil and gas has progressed, it has been found that the recovery of crude oil can be increased by reinjecting some of this residue gas into the producing formations in operations known as "cycling" or "recycling" operations and, in fields where such operations are conducted, even greater volumes of residue gas are required for the development and operation of the leases.

However, in the great majority of cases, even where recycling operations are conducted, large volumes of residue gas are available for sale and are sold by the gasoline plant operators or by the producers at the outlet or exhaust of the natural gasoline plant at the point where the gathering operation ceases.

From the foregoing, it will be seen that the production of crude oil and the production of casinghead gas are so related that each is completely dependent upon the other, and it should be apparent at a glance that the cost, per unit of volume, of any residue gas from such casinghead gas which is available for sale and is sold, if such cost could be determined apart from the cost of the production of the crude oil, is dependent upon the volume of such gas returned to the leases and the volume remaining available for sale.

Presently, we shall point out why the relationship between the production of crude oil, natural gasoline and other products and the production of natural gas would, in the great majority of cases, make it utterly impossible

to apply any rate regulatory standards in the fixing of the prices received by producers and gatherers for such gas sold to interstate pipe line companies, but first we wish to show why, in any case, such standards would be completely inappropriate to the fixing of prices received by producers and gatherers for any natural gas sold to such pipe line companies.

One of the major services that the oil and gas industry performs for the public is the exploration for and development of new reserves. Producers in this industry must constantly search for new oil and gas reserves and must invest large sums of money in "wildcat" ventures. Necessarily many of the leases that are purchased are worthless and many of the exploratory wells are dry holes. The funds with which the industry performs this exploratory service must be derived from the sale of products by the industry, and the level of prices for those products necessarily must be high enough to provide those funds. Obviously, any rate base standard, whether "prudent investment" or "value" be the rate base, would be wholly inadequate to provide such prices. For example, a producer who makes a discovery of crude oil and natural gas or either of them in Oklahoma must recoup *from that successful venture* for his exploratory failures which may have been in some other State. The return which he must have to maintain his business is wholly unrelated to his investment in this successful venture alone, and no "prudent invest-

ment" rate base standard as applied to natural gas produced by him in Oklahoma could possibly provide for reimbursement to him of a part of his investment in other localities on any basis other than a purely arbitrary one which necessarily must predetermine the prices fixed in order to construct the rate base. The rate base standard with "value" as the rate base would be equally inadequate. As Mr. Justice Douglas has observed in the *Hope case*(15) and again in the *Canadian River case*,(16) value is the end product of the process of rate making, and not the starting point. The value of any article or thing, other than its sentimental value, is a reflection of its ability to produce revenue, and the control of the revenue necessarily includes the control of the value. This is particularly true of a gas lease, the value of which is entirely dependent upon the prices received for gas produced from the land covered by the lease. The regulation of prices received by producers and gatherers by the rate base standard with "value" as the rate base would inevitably result in reducing the value of the leases each successive time that the standard was employed.

However, as we have previously intimated, in the vast majority of cases the relationship between the production of crude oil, natural gasoline and other products and the production of natural gas would make it not only inappropriate but utterly impossible for the Federal Power

15. *Federal Power Commission* v. *Hope Natural Gas Company*, 320 U.S. 591, 88 L.ed. 333.

16. *Colorado Interstate Gas Co.* v. *Federal Power Commission*, and *Canadian River Gas Co.* v. *Federal Power Commission*, 324 U.S. 581, 89 L.ed. 1206.

Commission to fix the prices received in the field by producers and gatherers of gas for gas sold to interstate pipe line companies on any rate regulatory standard or on any standard whatever other than the whim or caprice of the Commission.

In the rate hearing *in re* Panhandle Eastern Pipe Line Company pursuant to which the Federal Power Commission regulated the rates of that company, (17) it was developed that one of the operations of Panhandle Eastern Pipe Line Company was the operation of a natural gasoline plant, located on its pipe line system, in which that company extracted from its gas natural gasoline which it sold in the open market. The prices for this natural gasoline were, of course, not subject to regulation and the treatment of the unregulated income from such natural gasoline presented a problem for the Commission which was disposed of by treating the operation of the gasoline plant as an incident to the operation of the pipe line system and the income from such natural gasoline as "incidental." (17)

Obviously, this treatment of this unregulated income resulted in the regulation of the total income of that company including this unregulated income, with the result that the amount of the total permitted income, exclusive of this unregulated income, was dependent upon the amount of the unregulated income. We offer here no criticism of the treatment in that case, but we wish to point out

17. *Panhandle Eastern Pipe Line Co. v. Federal Power Commission*, 324 U.S. 635, 89 L.ed. 1241.

that, in the case of a producer who produces casinghead gas from oil wells and in the case of the natural gasoline plant operator or a recycle operator, the income from such crude oil or from such natural gasoline is by no means "incidental" and such treatment of their income would be impossible. In the vast majority of cases, the income from the prices received for such crude oil or such natural gasoline far exceeds the value of the casinghead gas or the residue gas by whatever standard that value might be determined.

We believe that it requires no demonstration or argument that Congress did not, by the Natural Gas Act, undertake to vest in the Federal Power Commission any rate regulatory jurisdiction or any other jurisdiction over the production of crude oil, natural gasoline or other liquid hydrocarbon products produced and sold by the oil and gas industry or over the prices received therefor. But the fact that the Commission does not have control over the physical operations of a producer or a gasoline plant operator or recycle operator and does not have rate regulatory jurisdiction over the prices received for crude oil, natural gasoline or other liquid hydrocarbons, would make it impossible for the Federal Power Commission to make even a bare mathematical application of any rate regulatory standard, whether "prudent investment" or "value" be the rate base and, in fact, would make it utterly impossible for the Commission to fix the prices received by such producer or such gasoline plant operator or such recycle opera-

tor on any standard whatever other than the whim of the Commission.

Take the case of the producer who owns wells productive of both oil and casinghead gas. Having in mind that the level of prices in the oil and gas industry must be sufficient to support the exploration for new oil and gas reserves and that a producer must, from his "bonanza" or successful venture, recoup for his exploratory losses, it is to be expected that the "return" or revenue of this producer from crude oil alone may far exceed a rate of return on a "rate base" consisting of his productive wells and the leases on which they are located (whether investment or value be the rate base), of six and one-half per cent or any other rate which the Federal Power Commission or any other rate regulatory body would consider reasonable on utility standards. Obviously the Commission could not make him give away his gas and it is equally as obvious that, if his operations in the production of crude oil and gas should result in a loss, it could not allow him a price for his gas which would give him an over-all return of six and one-half per cent on either his total investment in, or the total value of, such properties. The only alternative for the application of a rate base standard would be some sort of allocation of the investment in, or cost of, his properties. The allocation would have to be either in the ratio of the volume of crude oil sold to the volume of gas sold or in the ratio of the respective incomes of these two products, but both of these ratios are subject to great fluctuation.

In order to operate his leases properly, the producer must retain the right to use all of the residue gas needed for such operations. In the case of repressuring operations, this may require all of the available residue gas and leave none for sale. Consequently, the ratio between volumes of crude oil sold and the volumes of natural gas sold would fluctuate from time to time; and the ratio between the respective incomes from the two products would be subject to even greater fluctuation for the reason that the income from crude oil is the result of a fluctuating market price. It is therefore clear that it would be impossible to make even a bare mathematical application of a rate base standard to the fixing of the prices received by such a producer for his gas.

As another example, take the case of the recycle operator (using that term to apply either to one operator or a group of operators operating a "unitized" field) who produces crude oil or "distillate" together with natural gas and conducts his operations by gathering the gas to a central point and returning a part of the gas, after processing it for the extraction of liquid hydrocarbons, to the producing formation in order to maintain the pressure and driving force in such formation, and who sells a part of the remaining or excess "residue gas." Obviously, such an operator is both a "producer" and a "gatherer" within the meaning of the Natural Gas Act. Here again, remembering that the successful operations must bear the burden of exploratory failures, it would be surprising if it should not

be found to be the case that, on rate regulatory standards, such operator's unregulated income from his sales of crude oil or distillate and other liquid hydrocarbons alone would result in a "return" on his "rate base" consisting of his properties in such field (and again regardless of whether investment or value be the rate base) far in excess of any return that the Commission or any other utility rate regulatory body would consider "reasonable" on utility standards. Certainly, in his case, the liquid hydrocarbons are no "by-product."

Again, it is obvious that the Commission could not, in such case, require such operator to give away his gas on the theory that his unregulated sales were already producing an excessive return on his investment in, or value of, his properties; and it is equally obvious that, in case he should be suffering a loss from his operations, the Commission could not make him whole by allowing him a high enough price on his gas to produce a "reasonable" return on his investment in, or the value of, his entire properties, even if he could get such a price from purchasers. And, here again, it would be utterly impossible to make any allocation, other than an arbitrary one, of his investment in, or the value of, his properties in order to arrive at a rate base. The prices for the crude oil or distillate and other liquid hydrocarbons are fluctuating prices and also, in order to operate the properties efficiently and without waste, the operator must retain control over the volume of gas to be recycled and the resulting volumes of "residue

gas" available for sale. So, in undertaking to fix the price received by such an operator for gas sold by him, the Commission would be met by the same necessity, as in the case of the producer referred to above, of making a purely arbitrary allocation of the cost or the value of such operator's properties in order to arrive at a rate base, and, therefore, the impossibility of fixing a price for the gas on a rate base standard.

The fixing of the prices received for gas by any natural gasoline plant operator by rate base standards would meet the same impossibility, regardless of whether or not recycle operations were being conducted. In view of the risk involved in the investment in such a venture it is to be expected that, in many cases, the income of the natural gasoline plant operator from the sale of natural gasoline and liquid hydrocarbons alone would greatly exceed a "return" on the investment in, or value of, such operator's facilities of six and one-half per cent or any other return which the Federal Power Commission or any other rate regulatory body would consider reasonable on utility standards, and, obviously, the Commission could neither require such a gasoline plant operator to give away his gas nor make any allocation of his investment in, or value of, his properties for rate base purposes other than a purely arbitrary one.

The only other standards which have been suggested for use by the Commission in regulating the rates of the natural gas companies are (1) the competitive field price,

and (2) the "functional test" suggested by Mr. Justice Jackson in the *Hope case*[18] and again in the *Canadian River case.*[19] It is clear that neither of these possible standards would offer any solution for the dilemma in which the Federal Power Commission would find itself in trying to regulate the prices received by the producer or the gasoline plant operator.

While the competitive field price would serve very well as a standard to gauge the allowance to be made to pipe line companies in respect of production from their own leases, it would be no standard at all by which to fix the prices received by producers and gatherers whose gas is sold to pipe line companies which transport and sell the gas in interstate commerce. This is for the reason that those producers and gatherers are, themselves, the principal competitors and the regulation of their prices would so narrow the field of competition that it would destroy the value of competitive price as a standard.

It is suggested by Mr. Justice Jackson that, by a "functional test," an incentive or inducement could be offered to the producers to direct their gas into proper channels. In view of the fact that, in order to protect its tremendous investment, a pipe line company must, before construction of its line, be assured of supplies of gas by procuring purchase contracts which extend for some years,

18. *Federal Power Commission* v. *Hope Natural Gas Company*, 320 U.S. 591, 88 L.ed. 333.

19. *Colorado Interstate Gas Co.* v. *Federal Power Commission* and *Canadian River Gas Co.* v. *Federal Power Commission*, 324 U.S. 581, 89 L.ed. 1206.

it is difficult to see how the Federal Power Commission could, through the medium of price fixing, offer any inducement to producers without approving contract prices established before the construction of the pipe line, which would be a strange procedure in the field of rate regulation.

But, aside from that consideration, the suggested "functional test" would be completely inapplicable for the fixing of prices received for gas by a producer who owns wells productive of both crude oil and casinghead gas or by the owner of a gasoline plant. The producer and this gasoline plant operator are alike in one respect. They must retain a substantial measure of control over the volume of gas delivered. The requirements for gas for use as fuel in the operation of the producing properties may vary from time to time and may even consume all of the available gas. Neither can know in advance exactly how much gas he will be able to sell to a given pipe line company at any given time. In the case of the gasoline plant operator, both the volume and the quality of the gas delivered to the pipe line company may depend, to a substantial measure, upon the extent of the extraction of liquid hydrocarbons from the gas. The extent of the extraction of liquid hydrocarbons affects materially the value of the gas to the pipe line company and, conversely, the price received by the plant operator has a direct bearing upon the volume of liquid hydrocarbons he will extract.

Gas is sold by such producers and such gasoline plant operators under a wide variety of circumstances and con-

ditions. It may be sold at the well or it may be sold at a central delivery point. In either case, it may be sold at pressures ranging from atmosphere up to hundreds of pounds per square inch and the cost of delivery will vary with the pressure at which the gas is delivered. It may be "sweet" or it may be "sour" with widely varying sulphur content. If the gas, when produced, is sour, the seller may or may not treat it for the removal of sulphur depending upon his contract with the buyer. The value of gas for resale purposes may depend upon its heating value and the heating value of the gas delivered at different points may vary several hundred B.T.U.s per cubic foot.

The Commission clearly does not, under the Natural Gas Act, have control over the physical acts of producing and gathering gas in the field. The Commission could not control the volumes of gas to be delivered by a producer or gasoline plant operator, the pressures at which it is delivered, the extent to which liquid hydrocarbons shall be extracted before delivery of the gas, nor the extent to which either the producer or gasoline plant operator must risk his capital in development or construction of facilities. If it had jurisdiction over the prices received by them for gas, it could consider all of these circumstances only as factors in determining the price to be paid for gas.

But the value of the gas is determined by still another factor, namely, competition among the sellers. The price that a producer or gatherer can obtain for gas from a pipe line company is limited by the prices at which other pro-

ducers and gatherers in the same field or in other fields are willing to sell gas to the same pipe line company. If the Commission had rate regulatory jurisdiction over the prices received by producers and gatherers for gas sold to interstate pipe line companies, it could not set the price to be paid to any particular producer or gatherer too low without forcing that producer or gatherer to use the gas in his own operations or to extract greater quantities of liquid hydrocarbons from the gas and thus reduce the quality of the gas; or to decline to risk his capital on further development or improvements while, on the other hand, it could not require the pipe line company to pay a higher price than the competitive prices at which other producers and gatherers in the same area would be willing to sell their gas.

In other words, if the Commission had rate regulatory jurisdiction over the prices received by producers and gatherers for gas sold to interstate pipe line companies, it would be bound by the same forces which fix competitive field prices and any attempt to fix such prices could be nothing more than an attempt to ascertain the competitive field prices.

As a matter of fact, the only reason that it was possible for the Federal Power Commission to apply its "prudent investment" rate base standard to the operations of Interstate Natural Gas Company, Incorporated, in this case was the fact that that company had no wells in the Monroe field productive of crude oil and no gasoline plant

in which it extracted natural gasoline from the gas sold by it to the three pipe line companies.

The operations of Interstate Natural Gas Company, Incorporated, involved in this case were *unique* in this respect. It is a rare circumstance in the Mid-Continent area for the production and gathering of gas to be unaccompanied by either the production of crude oil or the operation of a recycling plant or a natural gasoline plant. As we have previously observed, there are in the Mid-Continent area far more wells productive of natural gas with oil than there are wells productive of natural gas only. In addition, in the Gulf Coast section of the Mid-Continent area there are many "distillate fields" in which the gas is gathered to a central point and processed in a "recycling plant" after which a part or all of the gas is returned to the producing formations; and even in the cases where gas alone is produced, the gas usually contains sufficient quantities of hydrocarbons which can be removed and sold in liquid form that the operation of a gasoline plant for the removal of such hydrocarbons is usually an integral part of the production and gathering of such gas.

In the opinion of the State, all of the foregoing discussion in this section of the brief is merely an illustration that the production and sale of natural gas in the field by producers and gatherers thereof is an integral part of the operations of the highly competitive oil and gas industry which cannot be separated or segregated from the other operations of that industry and that Congress could not

have intended by the Natural Gas Act to substitute rate regulatory standards for the functions of competition in respect of such a small and inseparable segment of the operations of that industry.

The foregoing discussion of the factors and conditions which must have necessarily been considered by the Congress, clearly demonstrate why the Congress was impelled to exclude the production and gathering of natural gas from the jurisdiction conferred upon the Federal Power Commission. Aside from all the extraneous aids in construing the Act, it seems quite clear to the State of Oklahoma that the language employed by the Congress is not reasonably susceptible of the construction now placed thereon.

Reverting to the legislative history of the enactment of the Natural Gas Act, it is found that this conclusion is supported by the reaction and statement of the persons closely connected with the drafting and passage of this legislation. In *Colorado Interstate Gas Company* v. *Federal Power Commission*, 324 U.S. 581, Mr. Chief Justice Stone, Mr. Justice Roberts, Mr. Justice Reed, and Mr. Justice Frankfurter stated that the exemption of the production of natural gas from regulation excluded the power to fix the price of gas in the producing field. They further said:

> "The exclusion of production and gathering of natural gas from the regulatory authority of the Commission is a command to the Commission not to regulate that which is excluded. Otherwise powers

reserved to the State would be encroached upon, contrary to the word and purpose of the Act, and a pretended government would be set up by the Commission's action, without the authority of Congress." (89 L.ed. 1232-1233.)

Mr. Justice Jackson concurred in the majority opinion in said case, but stated that he would join in holding that an order of the Federal Power Commission which would have an immediate impact upon the production or gathering of gas to be beyond the jurisdiction of the Federal Power Commission. He further stated that he construed the majority opinion in which he concurred as only authorizing the Federal Power Commission to take evidence as to conditions and events quite beyond its regulatory jurisdiction where they are thought to affect the cost of that which clearly must be regulated by the Federal Power Commission.

In the instant case, the Federal Power Commission has attempted to enter an order having a direct impact upon the gathering and production of gas: namely, the price which may be charged by the producer and gatherer to companies which engage in the subsequent transportation and sale in interstate commerce. It is difficult to conceive how any order of the Federal Power Commission could have a more direct impact upon any phase of the natural gas industry than the present order has upon the "gathering and production" of natural gas. Thus under the literal language of the Act as construed by five Justices of this Court, the production and gathering of gas includes

the field sales of such gas, and field sales of such gas to companies which subsequently transport and sell same in interstate commerce are not subject to the regulatory power of the Federal Power Commission.

CONCLUSION

From the foregoing discussion it should be clear (1) that an interpretation of the Natural Gas Act to mean that Congress intended to leave in the producing States control over the physical operations of the producers and gatherers and at the same time to vest in the Federal Power Commission rate regulatory jurisdiction over the prices received by producers and gatherers for gas sold to pipe line companies which transport and sell the gas in interstate commerce would, in fact, deprive the producing States of the power to conserve their oil and gas resources and to protect the correlative rights of owners thereof and would result in an intolerable conflict of jurisdiction; (2) that any attempt to regulate individually the prices received by the thousands of producers and the hundreds of natural gasoline plant operators whose gas is or may be sold to pipe line companies which transport and sell the gas in interstate commerce would be a colossal undertaking for which no adequate provision was made by Congress and any regulation of their prices on a group or mass basis would amount to discrimination and probable confiscation; and (3) that, in the vast majority of cases, it would be utterly impossible for the Federal Power Commission to regulate the prices

received by such producers and gatherers on any standard whatever other than the Commission's whim or caprice.

It cannot be assumed that Congress deliberately intended to produce an intolerable conflict between the States and a Federal regulatory body or that it intended to do a vain or absurd or impossible thing. It therefore must be assumed that Congress intended that the prices received by producers and gatherers of gas should continue to be fixed in a manner consistent with our national economy, that is, by competition within the highly competitive oil and gas industry.

For the foregoing reasons, it is respectfully submitted that the petition of the Petitioner, Interstate Natural Gas Company, Incorporated, for relief herein should be granted.

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MARCH, 1947.

MEMORANDUM BRIEF ON CERTIORARI, BY INDEPENDENT NATURAL GAS ASSOCIATION OF AMERICA, AMERICAN PETROLEUM INSTITUTE, INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA AND MID-CONTINENT OIL & GAS ASSOCIATION, AMICI CURIAE.

IN THE

Supreme Court of the United States

OCTOBER TERM, 1946.

No. 733.

INTERSTATE NATURAL GAS COMPANY, INCORPORATED, a Corporation, *Petitioner*,

v.

FEDERAL POWER COMMISSION, LOUISIANA PUBLIC SERVICE COMMISSION, CITY OF NEW ORLEANS, LOUISIANA, CITY OF BATON ROUGE, LOUISIANA, *Respondents*.

ON CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE FIFTH CIRCUIT.

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May, 1947.

PRESS OF BYRON S. ADAMS, WASHINGTON, D. C.

TABLE OF CASES.

	Page
Currin v. Wallace, 306 U. S. 1	7
Federal Trade Comm. v. Bunte Bros., Inc., 312 U. S. 348	5, 7, 8-9
McLeod v. Threlkeld, 319 U. S. 491	5, 7-8
Missouri v. Kansas Gas Company, 265 U. S. 298	9, 10
Mulford v. Smith, 307 U. S. 38	7
Panhandle Eastern Pipe Line Company v. Federal Power Comm., 324 U. S. 634	3
Public Utilities Comm. v. Attleboro Steam & Electric Company, 273 U. S. 83	9, 10
Sunshine Anthracite Coal Company v. Adkins, 310 U. S. 381	7

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In view of the striking and fundamental change in position presently indulged by Commission counsel (*Comm. Br. pp. 18, 20, 34, 35, 40, 43*), as compared with the Commission findings of fact and conclusion of law (*Comm. Order. R. V. 1, pp. 82-83*), and as compared with the Commission position in opposition to certiorari (*Comm. Br. on Pet. for Cert. pp. 14-17*), *amici curiae* now wish, with consent of the Court, briefly to consider such newly developed jurisdictional theories and contentions of the Commission.

This memorandum brief supplements briefs heretofore filed herein by *amici curiae* to which respectfully the consideration of the Court again is invited.

The Commission found that:

> "Interstate, as an established course of business, is engaged in the *transportation, sale and delivery of natural* gas purchased, produced and gathered in Monroe Field, Louisiana, to Mississippi River Fuel Corporation and Southern Natural Gas Company, *at a point near Perryville in the State of Louisiana*, and to United Gas Pipe Line Company *for the account of* Memphis Natural Gas Company *at a point near Guthrie in the State of Louisiana.*"
>
> The Commission, without any reference whatever to the terms of the Natural Gas Act, nevertheless concluded, under the theory of "constant flow": that "the transportation" by Interstate Company of natural gas "from the mouths of the wells from which it is produced" and the delivery thereof "at a point near Perryville" and "at a point near Guthrie," both in the Monroe Field, Louisiana, constituted "the transportation * * * *in* interstate commerce" of such gas; and that the complete and outright local Monroe Field sales of such gas "at a point near Perryville" and "at a point near Guthrie" constituted "sale *in* interstate commerce" of such gas.
>
> (*R. V. 1, pp. 82-83*).

The Commission made no supporting finding of any kind, except the finding of "constant flow." Such is the record presented to this Court.

In contrast with the Commission findings, conclusion and order the present Commission construction of the Gas Act and of the Commission's jurisdiction thereunder is:

> "The Commission has, however, never sought to extend its jurisdiction over the sales of natural gas made by independent producers and gatherers, (1) but only over sales made by one otherwise a natural-gas company or (2) where affiliation betwen seller and pur-

chaser is involved or (3) where there is transportation in interstate commerce by the seller after completion of gathering prior to the wholesale sale. Petitioner is (1) otherwise a natural-gas company, (2) is affiliated with a purchasing natural-gas company and (3) transports the gas in interstate commerce prior to sale." (Numbering added.)

(*Comm. Br. p. 18*)

(1) The foregoing distinction sought to be drawn between "independent producers and gatherers" and "one otherwise a natural-gas company", is without foundation in Section 1(b) of the Act. The Commission view would operate to wipe out entirely *all* the statutory withholding of authority and the "specific denials of power." A company not "a natural gas company" is in no event subject to Commission jurisdiction, and the Commission now would deny the applicability of the statutory limiters to "a natural gas company." This certainly would be a simple and convenient device by which, despite the statute, to vest plenary power in the Commission. Such is not the law. (See cases cited, *Br. Amici Curiae, on Pet. for Cert. pp. 8, 26-27*).

Jurisdiction over non-jurisdictional activities and facilities cannot be created by mirrored reflection from activities and facilities which are subject to Commission regulation. A company which engages in operations and activities which subject it to Commission regulation and make it a "natural gas company," as defined in the Act, may also engage in other activities and operations which are not subject to Commission regulation. Such other non-jurisdictional activities and operations do not become subject to Commission regulation because the Company is a "natural gas company." They continue exempt from Commission control and regulation, and the Commission is not permitted to exercise any control whatever over them. *Panhandle Eastern Pipe Line Co.* v. *Federal Power Comm.*, 324 U. S. 634, 641-642, 65 Sup. Ct. 821, 825).

(2) The Commission reliance upon "affiliation between seller and purchaser", which appears to be abandoned later (See, *Comm Br. p. 24*) is not supported by any *finding* or by the record. There is no "affiliation" between petitioner, Interstate Company and Southern Natural Gas Company or Memphis Natural Gas Company, and none is asserted to exist by Commission counsel. Moreover "affiliation" as such, if it exists, is not the test of jurisdiction under the Gas Act. The sole statutory test is "transportation • • • *in* interstate commerce" and "sale *in* interstate commerce", as defined in Section 2(7) of the Act, in which transportation or sale the company sought to be regulated, must participate either as a single enterprise or as part of a joint operation. It is not claimed that such is the situation here and the record would not support any such finding (See *Br. Amici Curiae, on Pet. for Cert. pp. 24-26*).

(3) Commission counsel finally come to the question of whether "there is transportation *in* interstate commerce by the seller (Interstate) after completion of gathering prior to the wholesale sale." They promptly *assert* that there is. They draw that conclusion without any analysis whatever of the Act, in disregard of the direct and specific refusal of Congress to grant the broad powers which the Commission originally sought but which nevertheless it now undertakes to exercise, and in face of the *undisputed* fact, found by the Commission (*R. V. 1, pp. 82-83*), that Interstate makes consummated "sale and delivery" of the gas here involved to the several purchasers thereof *locally in the Monroe Field, Louisiana.* Because of the fact that the gas was sold and delivered by Interstate Company *locally in the Monroe Field*, the Commission found it necessary as a foundation for any jurisdiction whatever, to resort to the finding:

> That "the natural gas • • • that is sold and delivered" *locally* in the Monroe Field, Louisiana, by Interstate Company to the three pipeline company purchasers "moves in each instant in a constant flow from

> the mouths of the wells from which it is produced through pipelines belonging to Interstate, to the compressor station of the respective purchaser, and thence through said compressor stations into the pipeline of said respective purchaser and thus into and through states other than Louisiana • • •, all without interruption, and said gas is so destined from the moment of its production." (R. V. 1, pp. 82-83).

From the foregoing position Commission counsel now recede, for they presently declare: "It is unnecessary for present purposes to determine the precise point at which interstate commerce in gas, which flows continually from the well to its destination, begins." (*Comm. Br. p. 20*).

Thus by the formula of Commission counsel the foundation is sought to be laid for a flexible, elastic and self-controlled jurisdiction, to be exercised or not in particular cases at the discretion of the Commission. And so we are told all is well. (*See Comm. Br. pp. 44-45*).

The broad and sweeping constitutional grant of power to the Federal government to regulate "commerce • • • among the several states" embraces not only those operations, activities and matters which are actually and physically "*in* interstate commerce" but also those local intrastate operations and activities including local sale and delivery of a commodity or service, which in the considered and *enacted* determination of the Congress "affect", "obstruct" or "burden" the free flow of "commerce • • • among the several states" or the regulation of which local operations and activities by the Federal government is deemed proper and necessary by Congress to foster, develop and protect such "commerce • • • among the several states."

The narrow question here involved, as in the case of every statute setting in motion Federal regulation under "the commerce clause," is "what Congress did, not what it could do." (*McLeod* v. *Threlkeld*, 319 U. S. 491, 493, 495; *Federal Trade Comm.* v. *Bunte Bros. Inc.*, 312 U. S. 348, 353, 355).

Commission counsel nevertheless indulge the easy assertion and assumption, several times repeated (*Comm. Br. pp.*

16-17, 18, 20-21, 22, 40, 43) that every operation and activity which Congress in any way could have incorporated into the coverage of the Act under "the commerce clause" was embraced within the plan of Federal regulatory control embodied in the Gas Act. Such is not the fact.[1]

To avoid analysis of Section 1(b) of the Act and consideration of the basic principle that the scope and coverage of each statute is determined by the terms and provisions thereof, Commission counsel, under the caption "The sales here involved were in interstate commerce", assert: (*Comm. Br. pp. 22*)

> "And although the meaning of 'interstate commerce' may *conceivably* vary in different statutes (*McLeod* v. *Threlkeld*, 319 U. S. 491, 493, [*Note:* The cited case does not so declare, but does indicate with entire clarity that "the precise scope" of each Congressional enactment is defined in and by that particular statute.] nothing in the history of the Gas Act suggests that the phrase 'sale *in* interstate commerce' was intended to have a narrower meaning than that expression had repeatedly been given by this Court in numerous types of situations. [*Note:* No such contention has been or is made in this case by petitioner or *amici curiae*.] A strong burden must rest on the party endeavoring to maintain such a proposition." [*Note:* No party to this case is endeavoring to maintain such a proposition, nor is there any such rule of law; See *Br. Amici Curiae on Pet. for Rehearing, p. 13.*] (Emphasis and notes added.)

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[1] The Gas Act provides: "The provisions of this Act shall apply to * * * transportation of natural gas in interstate commerce" and "sale in interstate commerce of natural gas for resale * * *." There is no other grant of regulatory authority contained in the Act.

The statutory "specific denials of power" (Conn. L. & P. Co. v. Federal Power Comm., 324 U. S. 515) here material are: "The provisions of this Act * * * shall not apply to any other transportation"; "or sale"; "or to the production or gathering of natural gas."

By the foregoing clearly it is sought by counsel to make it appear by assumption and indirection that the provisions of Section 1(b) of the Gas Act are in parallel with the provisions of the Tobacco Inspection Act of 1935, the Second Agricultural Adjustment Act of 1938 and the Bituminous Coal Act of 1937. These Acts were upheld and applied in the Commission cited cases (*Comm. Br. p. 21*) of *Currin* v. *Wallace*, 306 U. S. 1; *Mulford* v. *Smith*, 307 U. S. 38; and *Sunshine Anthracite Coal Co.* v. *Adkins*, 310 U. S. 381.

As pointed out with particularity by this Court in those cases Congress in each of such statutes, by express determination and by appropriate and specific language extended the scope of the Federal regulation there undertaken, to local operations and activities including local sales and deliveries, which it was *found*, and *enacted*, "affected", "burdened" and "obstructed" interstate commerce and with respect to which it was declared Federal regulation was necessary and appropriate to promote, foster and protect such commerce and the free and orderly current and flow thereof. Nothing in the language of Section 1(b) of the Gas Act is remotely similar to the language of statutory extension and enlargement found in the three acts referred to by Commission counsel. In the Gas Act, as in numerous other enactments, the Federal regulation authorized is limited and carefully and expressly restricted. The authority delegated to the Commission does not extend to or embrace operations and practices, including local sales and deliveries as well as production and gathering, which *may affect* but are not actually *in* interstate commerce (*Federal Trade Comm.* v. *Bunte Bros. Inc.*, 312 U. S. 349; *Comm. Br. p. 23*). See, *Br. Amici Curiae on Pet. for Cert. pp. 12-15; 15-24.*)

We quote briefly from the opinions of this Court in the cases of *McLeod* v. *Threlkeld*, *supra* and *Federal Trade Comm.* v. *Bunte Bros. Inc.*, *supra:*

Mr. Justice Reed speaking for the Court in the *Threlkeld case* declared:

"In drafting legislation under the power granted by the Constitution to regulate interstate commerce and to make all laws necessary and proper to carry those regulations into effect, Congress is faced continually with the difficulty of defining accurately the precise scope of the proposed bill. In the Fair Labor Standards Act, Congress did not intend that the regulation of hours and wages should extend to the furtherest reaches of federal authority. The proposal to have the bill apply to employees 'engaged in commerce in any industry affecting commerce' was rejected in favor of the language now in the Act, 'each of his employees who is engaged in commerce or in the production of goods for commerce'. The selection of the smaller group was deliberate and purposeful.

* * *

"There is no single conception of interstate commerce which can be applied to every federal statute regulating commerce."

(*McLeod* v. *Threlkeld*, 319 U. S. 491, 493, 495)

Mr. Justice Frankfurter in delivering the opinion of the Court in the *Bunte Bros.* case emphasized the distinction between statutes:

"Translation of an implication drawn from the special aspects of one statute to a totally different statute is treacherous business. The Interstate Commerce Act and the Federal Trade Commission Act are widely disparate in their historic settings, in the enterprises which they affect, in the range of control they exercise, and in the relation of these controls to the functioning of the federal system.

* * *

". . . An inroad upon local conditions and local standards of such far-reaching import as is involved here, ought to await a clearer mandate from Congress. The problem before us is very different from that which was recently presented by U. S. v. Darby, 312 U. S. 100. We had there to consider the full scope of the constitutional power of Congress under the commerce clause in relation to the subject matter of the Fair Labor Standards Act. This case presents a narrow question of what Congress did, not what it could do. And we merely

hold that to read 'unfair methods of competition in (interstate) commerce' as though it meant 'unfair methods of competition in any way affecting interstate commerce', requires, in view of all the relevant considerations, much clearer manifestation of intention than Congress has furnished."

(*Federal Trade Comm.* v. *Bunte Bros. Inc.*, 312 U. S. 348, 353, 355)

An examination of the development of the structure of the Congressional *pattern* of Federal control *actually* enacted by Congress in both the Natural Gas Act and the Federal Power Act, discloses that Congress wholly failed and actually refused to extend the coverage of Federal control, as sought by the Commission in 1935 and as now claimed by its counsel (*See, Br. Amici Curiae, on Pet. for Cert. pp. 15-24; Br. Amici Curiae on Pet. for Rehearing, pp. 7-11*).

This case is not, on the facts or in principle, the *Kansas Gas Company* case (265 U. S. 298) or the *Attleboro Company* case (273 U. S. 83), as assumed by Commission counsel.

In the *Kansas Gas Company* case *that Company* produced and purchased natural gas in Oklahoma; *that Company* thereupon transported that gas to Kansas, where it was intermingled with gas there produced and purchased; and thereafter *that Company* continued the transportation of the commingled gas into Missouri, where *that Company* sold it for resale. *All* the operations and activities in question from Oklahoma to Missouri were those of a *single* company, *actually* engaged both in transportation in interstate commerce and sale in the state of destination at the end of such interstate transportation. (See Br. Amici Curiae on Pet. for Cert. pp. 42-43).

In the *Attleboro Company* case, the Narragansett Company generated the electric energy there in question at East Providence, Rhode Island; *that Company* transmitted the energy to the state line between Seekonk, Massachusetts, and East Providence, Rhode Island, where it made delivery

to the *Seekonk Company*, a corporation created by the Narragansett Company to transmit the energy from the Massachusetts state line to *the meters of the Narragansett Company* at Attleboro, Massachusetts, after which delivery was made by the Narragansett Company to the Attleboro Company. Here again *all* the operations and activities in question from East Providence, Rhode Island to Attleboro, Massachusetts, where sale and delivery was made and consummated, were those of a *single* company, the Narragansett Company. *That Company* directly and through its creature, the Seekonk Company, actually engaged both in transportation in interstate commerce and sale in the state of destination at the end of the interstate transportation. *(See, Br. Amici Curiae on Pet. for Cert. pp. 44-47).*[2]

This Court is aware of the fact that the local field "sale and delivery" of natural gas by Interstate Company to each of the three interstate pipeline companies took place **before** any interstate transportation and the subsequent sales for resale "in states other than Louisiana" by the respective interstate pipeline companies (Findings Nos. 7, 8). The court also will observe that the "sale and delivery" of natural gas and electric energy involved in the *Kansas Gas* and *Attleboro* cases took place **after** interstate transportation, and that in each case the "sale and delivery" in the state of destination was made by *the same company* which in fact engaged in the interstate transportation of the natural gas and electric energy in question from the states of origin.

Thus the factual and legal basis upon which the *Kansas Gas* and *Attleboro* cases are laid is the *actual*, not synthetic, transportation across state lines and the *actual*, not synthetic, subsequent delivery and sale in the state of destination, *all by one company, constituting a single integrated enterprise.* Such is not this case nor claimed by Commission counsel to be this case.

---

[2] For full statement of record facts in *Attleboro* case, see 46 R. I. 496, 129 Atl. 495.

On the record, it cannot be maintained and neither the Commission nor the Court of Appeals has undertaken to maintain that *after* such local and absolute field sales and deliveries by Interstate Company, it *in fact or in law,* has any right or interest in such gas, has any liability of any kind with respect thereto, has any control or right of control whatever over such gas, its transportation, its destination, its disposition or its ultimate use, or has any interest or concern whatever in the subsequent sales thereof or the proceeds of such sales.

With respect to the gas here involved, Interstate Company does not engage in any commerce between any point in Louisiana and any point outside of that State. All "interstate commerce" in such gas occurs *after* the local field sales and deliveries by Interstate Company which the Commission found were consummated in the Monroe Field, Louisiana. (*R. V. 1. pp. 82-83*).

The jurisdictional standards of the Act are clear and certain when the express limitation of the Commission's jurisdiction to transportation and sale "in interstate commerce", i.e., "between any point in a State and any point outside thereof" (Sec. 2(7)), is applied in connection with the statutory exclusion of jurisdiction over "production or gathering of natural gas". By that standard production, gathering, transportation, if any, prior to the consummated local sales and deliveries at Perryville and at Guthrie and such local sales and deliveries, are all beyond the regulatory jurisdiction of the Commission.

Congress, as is disclosed affirmatively, by the Act, by the development of the structure thereof, by the history of the legislation and by the common sense of the situation, intended no such confusion, no such conflict, no such intrusion of federal administrative authority into local affairs, and no such regulation of the oil and gas industries, as is the im-

pending and inevitable result of the current administrative assumptions as to the virtually limitless regulatory jurisdiction of the Commission over the natural gas industry and those engaged in any and every phase of that business.

Respectfully submitted,

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May, 1947.

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Supreme Court of the United States

OCTOBER TERM 1946

No. 733.

INTERSTATE NATURAL GAS COMPANY, INCORPORATED, a Corporation,

Petitioner,

v.

FEDERAL POWER COMMISSION, LOUISIANA PUBLIC SERVICE COMMISSION, CITY OF NEW ORLEANS, LOUISIANA, and CITY OF BATON ROUGE, LOUISIANA,

Respondents.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE FIFTH CIRCUIT.

PETITION OF INTERSTATE NATURAL GAS COMPANY, INCORPORATED, FOR REHEARING OF THE PETITION FOR CERTIORARI.

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INDEX.

	PAGE
I.—Jurisdiction	2
II.—Statement	2
III.—Reasons	4
IV.—The Controlling Questions	9
V.—This Court's Attitude in Previous Cases	10
VI.—Public Importance	11
Appendix A	13

CASES CITED.

Cities Service Gas Company v. *Federal Power Commission*, 155 F. 2d. 694	5
Cities Service Gas Company v. *Federal Power Commission, et al.*, at No. 556, October Term, 1946	4, 5
Canadian River Gas Company v. *Federal Power Commission, et al.*, 324 U. S. 581	6, 7
Colorado Interstate Gas Co. v. *Federal Power Commission*, 324 U. S. 581, 89 L. ed. 1206	5, 6
Federal Power Commission v. *Natural Gas Pipline Co.*, 315 U. S. 575, 86 L. ed. 1037	6
Federal Power Commission v. *Hope Natural Gas Co.*, 320 U. S. 591, 88 L. ed. 333	5, 6, 8, 10
Illinois Natural Gas Co. v. *Central Illinois Public Service Co.*, 314 U. S. 498, 86 L. ed. 371	10
Missouri ex rel. Barret v. *Kansas Natural Gas Co.*, 265 U. S. 298, 68 L. ed. 1027	5, 10
Panhandle Eastern Pipe Line Co. v. *Federal Power Commission*, 324 U. S. 635	5
Peoples Natural Gas Company v. *Federal Power Commission* (127 F. 2d. 153, cert. den. 316 U. S. 700)	6

PAGE

Peerless Oil & Gas Co. v. *Cities Service Gas Co., and all Operators, Producers and Takers of Natural Gas in the State of Oklahoma, etc.*, Corporation Commission of Oklahoma, Cause CD No. 1054 Order Nos. 19514, 19515 9

Public Utilities Commission v. *Attleboro Steam & Electric Co.*, 273 U. S. 83, 71 L. ed. 549 ..... 5, 10

United Fuel Gas Co. v. *Hallanan*, 257 U. S. 277 5

STATUTES ETC.

Natural Gas Act (53 Stat. 821, 15 U. S. C. Sec. 717 *et seq.*) 2

Section 1(b) (15 U. S. C. 717(b)) 3, 4, 6, 7, 10
Section 2(7) (15 U. S. C. Sec. 717a (7)) 3, 10
Section 5(a) (15 U. S. C. Sec. 717d (a)) 7

Rules of Civil Procedure (28 U. S. C. A. ff. 723 (c)) 6

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ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE FIFTH CIRCUIT.

PETITION OF INTERSTATE NATURAL GAS COMPANY, INCORPORATED, FOR REHEARING OF THE PETITION FOR CERTIORARI.

To the Honorable the Chief Justice and the Associate Justices of the Supreme Court of the United States:

Comes now the Interstate Natural Gas Company, Incorporated, Petitioner above named, and presents this its petition for a rehearing of the Petition for Certiorari in this case.

I.

Jurisdiction.

The Petition for Certiorari in this case was denied on January 6, 1947. This petition for rehearing thereon is filed within less than twenty-five days thereafter pursuant to Rule 33.

II.

Statement.

This is a rate case instituted by the Federal Power Commission against a "natural-gas company" under the Federal Natural Gas Act. (53 Stat. 821, 15 U. S. C. Sec. 717 *et seq.*) Petitioner claims that a part of its activity is not subject to regulation by that agency. The Federal Power Commission, however, has undertaken to regulate that which Petitioner earnestly contends is beyond its power to regulate.

Petitioner makes two types of sales of natural gas. Sales are made from a trunk pipe line system originating in the Monroe Gas Field in Louisiana and extending southward through Mississippi and back into Louisiana from which sales are made to distributing companies for resale. So much of the Commission's order as related to those sales was not brought here for review.

Within that same Monroe Field, *within* the State of Louisiana, however, Petitioner makes deliveries at natural pressure to three pipe line companies and that gas, without further control by Petitioner, is by them compressed and after compression, transported out of the state *for the first time* (R. II 577-581). These sales within the field are of commingled gas either produced by Petitioner, or purchased

by it at various points along its gathering system (R. II 576, 577). This gas is commingled at the same point with gas purchased from other sources by the pipe line companies (R. II 577-581) and so does not supply their total requirements: The Mississippi River Fuel Corporation secures (jointly from Petitioner and another company not here involved) 22 per cent of its requirements; Southern Natural Gas Company secures 16.6125 per cent from Petitioner; and Memphis Natural Gas Company receives 24 per cent from Petitioner (R. II 794). The remainder of the three purchasing companies' requirements comes from other producers in the same field or elsewhere in northern Louisiana (R. II 794). The sales so made by Petitioner of necessity require an extensive gathering system to reach 110 wells owned by Petitioner (R. 564, 569, *et seq.*). Acting thus wholly within the one field in producing, purchasing, and gathering gas and then selling it without reservation, Petitioner submits, comes within the following provision of the Natural Gas Act:

> "Section 1. (b) The provisions of this Act * * * shall not apply * * * to the production or gathering of natural gas." (15 U. S. C. Sec. 717 (b)).

and as well is not transporting and selling in interstate commerce as such commerce is defined in the Act:

> " 'Interstate Commerce' means commerce between any point in a State and any point outside thereof, or between points within the same State but through any place outside thereof, but only insofar as commerce takes place within the United States." (Section 2(7), 15 U. S. C. Sec. 717a(7)).

In the majority opinion and judgment of the Circuit Court, review of which is here sought, the legislative exemp-

tion from the Act was held to apply only to the physical activities of production and gathering and the properties used in such activities. Judge Waller (dissenting) claimed that the Act itself was clear in its exemption of Petitioner's producing and gathering sales from Commission jurisdiction. In addition, Petitioner adduced abundant and valid evidence of the legislative intent if the Act itself was found wanting.

III.

Reasons.

Petitioner respectfully gives as reasons for the granting hereof the following special and important matters:

1. On the day the Petition for Certiorari was denied, your Honorable Court denied the petition for rehearing of a Petition for Certiorari in *Cities Service Gas Company* v. *Federal Power Commission, et al.*, at No. 556, October Term, 1946. This Honorable Court had denied the Cities Service Petition for Certiorari on November 12, 1946, and so the petition for rehearing was filed shortly after Petitioner herein filed its Petition for Certiorari on November 30, 1946. Since the denial of the writ herein, Counsel for Petitioner have learned that a letter from Counsel for the Cities Service Company addressed to the Clerk of this Court was submitted about the time of the filing of the petition for rehearing by the Cities Service Company, in which attention was called to the pendency of the Petition for Certiorari herein. The suggestion was made that the same ultimate question of jurisdiction of the Federal Power Commission as limited by the production and gathering exception of Section 1(b) of the Act, but under variant

states of fact, was presented by the two cases, and that the Court might wish to consider them at the same time.[1] Petitioner respectfully suggests that your Honorable Court may have been led to believe that the case at bar and the *Cities Service* case involved the same fundamental questions. This inadvertence could easily have resulted from this letter and from certain erroneous statements contained in the brief in opposition to the petition herein filed by the Federal Power Commission. The Commission brief adroitly seeks to catalogue the contested sales here involved within the class of sales made by pipe line companies *after* actual movement of the gas out of the state where produced. In order to avoid an examination by this Court of the legal limits of its jurisdiction, the Commission has fallen into the error of treating the field sales rate of Petitioner the same as a rate resulting from the inclusion of production and gathering facilities in an overall rate base. This is apparent from the statement in the Commission brief (p. 8) that the questions here raised "have been repeatedly considered by this Court and resolved adversely to the contention now advanced by Petitioner." Of the many cases cited on behalf of the Commission in support of that statement, those that are even remotely pertinent involved sales either off the trunk line system *outside of the state where produced*[2] *or at the state line,*[3] except *Peoples Natural Gas Company*

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[1] Copy of this letter as furnished to Petitioner by Counsel for Cities Service Gas Company is included herein as Appendix A.

[2] *Colorado Interstate Gas Co.* v. *Federal Power Commission*, 324 U. S. 581; *Panhandle Eastern Pipe Line Co.* v. *Federal Power Commission*, 324 U. S. 635; *Cities Service Gas Co.* v. *Federal Power Commission*, 155 F. 2d 694; *Missouri* v. *Kansas Gas Co.*, 265 U. S. 298; *United Fuel Gas Co.* v. *Hallanan*, 257 U. S. 277.

[3] *Federal Power Commission* v. *Hope Natural Gas Co.*, 320 U. S. 591; *Public Utilities Commission* v. *Attleboro Steam & E. Co.*, 273 U. S. 83.

v. *Federal Power Commission* (127 F. 2d 153, cert. den. 316 U. S. 700). The *Peoples* case involved only whether sales were "in interstate commerce" when made *after* compression at the Peoples' (the producer) Pew Compressor Station and without any factual determination being made whether the gas came from nearby producing wells or had been transported to Pew Station from other fields in Pennsylvania. The opinion contains no reference whatsoever to Section 1(b) of the Natural Gas Act (*supra*). The case was one on appeal from granting enforcement of a *subpoena duces tecum* which was issued in a Commission proceeding to determine whether the Peoples Company was subject to investigation as to its status as a "natural-gas company". The decision also was aided by a pleading question under Rule 10(c) of the Rules of Civil Procedure (28 U. S. C. A. following Sec. 723c). The case has no relation whatsoever to the questions presented here. The Commission also cited the *Cities Service* case. The *Cities Service* case did not involve sales of gas made in the producing field such as are here presented; but involved issues of scope of review; the inclusion of producing and gathering facilities in the rate base; the inclusion of natural gas reserves in the rate base; and issues on depreciation and depletion; natural gasoline operations; income taxes; allocation of costs; and due process of law. Most of these questions even if not directly determined by this Court have been considered by it.[4] The question most nearly like the one here presented is on the inclusion of the cost of production and gathering facilities in the

[4] *Federal Power Commission* v. *Natural Gas Pipeline Co.*, 315 U. S. 575, 86 L. ed. 1037; *Federal Power Commission* v. *Hope Natural Gas Co.*, 320 U. S. 591, 88 L. ed. 333; *Colorado Interstate Gas Co.* v. *Federal Power Commission*, 324 U. S. 581, 89 L. ed. 1206; *Canadian River Gas Co.* v. *Federal Power Commission, id.*

rate base, an issue previously considered by this Court in *Canadian River Gas Company* v. *Federal Power Commission, et al.*, 324 U. S. 581. This is the issue discussed in the Commission brief on pages 11 and 12. *It is not the issue presented in the case at bar* despite the attempt of Respondent to make it so appear.

2. The fundamental issue *presented by Petitioner* in its request for *Certiorari* is one of jurisdiction of the Federal Power Commission under Sections 1(b) and 5(a) of the Natural Gas Act (15 U. S. C. Section 717(b), 717d (a)) *over the rates for the sale of natural gas in the field.* In the *Canadian River* case (*supra*) the opinion of Mr. Justice Douglas stated that in spite of Section 1(b) the cost of production and gathering properties could be included in determining the rate base of a "natural-gas company" under the Natural Gas Act. The opinion, however, goes on to state:

> "That does not mean that the part of Section 1(b) which provides that the Act shall not apply 'to the production or gathering of natural gas' is given no meaning. Certainly that provision precludes the Commission from any control over the activity of producing or gathering natural gas. For example, it makes plain that the Commission has no control over the drilling and spacing of wells and the like. *It may put other limitations on the Commission.* We only decide that it does not preclude the Commission from reflecting the production and gathering facilities of a natural gas company in the rate base and determining the expenses incident thereto for the purposes of determining the reasonableness of rates subject to its jurisdiction." (Emphasis supplied.) (324 U. S. 581 at 602-603.)

Thus the decision of the Court was only that the limiting provisions of the Natural Gas Act did not prevent the Commission from including the cost of production and gathering facilities in the rate base. In the case at bar the Commission has gone beyond the point of reflecting production and gathering facility costs in the rate base and has in fact *prescribed the only effective price* at which gas may be sold from such facilities. The effect of the order, if an usurpation of jurisdiction, is its own impact and the terms of the order are immediate (R. I 81-87). This, Petitioner earnestly submits, makes particularly appropriate the observation of Mr. Justice Jackson when he concurred in the *Canadian River* case:

> "It is true that the Act excludes 'production or gathering of natural gas' from jurisdiction of the Commission. If the Commission had imposed any direct regulation upon that activity, I would join in holding it to have exceeded its jurisdiction. But the orders in question have no immediate 'impact' upon production or gathering of gas." (324 U. S. at 609.)

3. The importance of this jurisdictional matter is apparent from the fact that the Natural Gas Act was enacted in order to occupy the field in which this Court had held that States might not act. (*Federal Power Commission* v. *Hope Natural Gas Company*, 320 U. S. 591, 609-610.) The field of production and gathering of natural gas is one of traditional state regulation and the importance of a clear decision on the bounds of state jurisdiction over the production of natural gas is evident from recent orders of the Corporation Commission of Oklahoma (entered December 9, 1946, subsequent to the filing of the Petition for Certiorari in this case), which set a minimum price of seven cents per M.c.f. for natural gas sold in the Guymon-Hugoton Field in

Oklahoma, to a pipe line company which transports the gas to markets in Kansas and Missouri.[5] Petitioner is advised that the Attorney General of the State of Oklahoma will file with your Honorable Court a brief on behalf of said State as *Amicus Curiae* pointing out the importance of a determination of state and federal jurisdiction over the sales price of natural gas in the field and so will not labor the point further here.

4. While there may be no conflict of decisions between Circuit Courts on this question, there is a new assumption of power by a federal agency and, therefore, a conflict between the States and the Federal Government under the Natural Gas Act which Petitioner earnestly submits must be resolved at this time.

IV.

The Controling Questions.

1. Does the Federal Power Commission under Section 1(b) of the Natural Gas Act have jurisdiction to regulate the sales price of natural gas which is produced or purchased by Petitioner within the same producing field in the State of Louisiana, is gathered from wells, and, before actual transportation outside of the field is begun, is delivered from the gathering system and sold in Louisiana to pipe line companies at their compressor stations in the producing field, is there commingled with gas obtained by

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[5] *Peerless Oil & Gas Co.* v. *Cities Service Gas Co., and all Operators, Producers and Takers of Natural Gas in the State of Oklahoma and particularly in the Guymon-Hugoton Field, etc.*, Corporation Commission of Oklahoma, Cause CD No. 1054, Order No. 19514; *Peerless Oil & Gas Co.* v. *Cities Service Gas Co.*, Corporation Commission of Oklahoma, Cause CD No. 1054, Order No. 19515 (December 9, 1946).

the pipe line companies from other sources, at which points title passes and all control by Petitioner ends and after which the gas is compressed by the purchasers for the purpose of transporting said gas through the purchasers' lines to points of delivery outside the State of Louisiana?

2. Is not the Federal Power Commission denied jurisdiction over the sales set forth in Question 1 because such sales are not "sales in interstate commerce" within the provision and meaning of Sections 1 and 2(7) of the Natural Gas Act (15 U. S. C. Sec. 717, 717a(7))?

V.

This Court's Attitude in Previous Cases.

This Court has previously considered the question of Federal jurisdiction in natural gas cases where the question involved a conflict between Federal and State jurisdiction.[6] In some cases a regulatory hiatus became apparent and in order to close the regulatory gap Congress acted. "In accomplishing that purpose the bill was designed to take 'no authority from State Commissions' and was 'so drawn as to complement and in no manner usurp state regulatory authority.' And the Federal Power Commission was given no authority over the 'production or gathering of natural gas'" (*Federal Power Commission* v. *Hope Natural Gas Company*, 320 U. S. 591 at 610).

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[6] *Illinois Natural Gas Co.* v. *Central Illinois Public Service Co.*, 314 U. S. 498, 86 L. ed. 371; *Missouri ex rel. Barret* v. *Kansas Natural Gas Co.*, 265 U. S. 298, 68 L. ed. 1027; See also *Public Utilities Commission* v. *Attleboro Steam & Electric Co.*, 273 U. S. 83, 71 L. ed. 549.

VI.

Public Importance.

This Court has been careful to circumscribe the States within the limits of their own proper jurisdiction. It is now in the public importance that the Federal Power Commission be circumscribed within the limits of the jurisdiction conferred upon it by the Congress. Since the opinion of the Circuit Court of Appeals in the case at bar, there has been confusion as to the jurisdiction of the States over field sales of natural gas. This confusion and this apparent conflict are more inimical to the orderly progress of a republic with complementary authorities, than are conflicts of decisions between circuits on legal matters of a purely private nature. Notwithstanding this Court's frequent admonition that a denial of Certiorari is not to be taken as an affirmance of the legal principles stated in the lower Court's opinion, we have here no other indication of what is the opinion of your Honorable Court on a subject of jurisdiction not yet passed upon by the Supreme Court of the United States.

For the foregoing reasons Petitioner respectfully urges that a rehearing be granted; that upon sound consideration the order of January 6, 1947, denying the Petition of Certiorari be revoked; and that a Writ of Certiorari issue.

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I, WILLIAM A. DOUGHERTY, of Counsel for the above named Petitioner, INTERSTATE NATURAL GAS COMPANY, INCORPORATED, do hereby certify that the foregoing petition is presented in good faith and not for purposes of delay.

WILLIAM A. DOUGHERTY.

WILLIAM A. DOUGHERTY.

Appendix A

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December 5, 1946

Re: Cities Service Gas Company v. *Federal Power Commission, et al.*, No. 556, October Term, 1946

Re: Interstate Natural Gas Company v. *Federal Power Commission*, No. 733, October Term, 1946

Hon. CHARLES ELMORE CROPLEY, Clerk
Supreme Court of the United States
Washington 13, D. C.

Attention: E. P. Cullinan, Assistant.

Dear Sir:

It seems proper that the attention of the Chief Justice and the members of the Court should be directed to the fact that the same ultimate question of the lawful authority of the Federal Power Commission to exercise regulatory jurisdiction under Section 1(b) of the Gas Act over the production and producers of natural gas is directly in issue, under variant states of fact, in both cases above entitled.

Each of the oil and gas industry organizations, which is filing *Amicus Curiae* briefs in the *Cities Service Gas Company* case, proposes to participate similarly in the *Inter-*

state Natural Gas Company case. Additionally, the States of Texas and Oklahoma, through their respective Attorneys General, are expected to participate in that case on the jurisdictional question involved.

It might well be that the Court would consider it wise to await the filing of such *Amicus Curiae* briefs in the *Interstate* case, during the month of December, before taking any further action in the *Cities Service* case, in order that the full reach of the issue may be resolved at one time.

Yours truly,

/sgd./ DONALD C. McCREERY
Attorney for Cities Service
Gas Company.

DCM/D

SUPREME COURT OF THE UNITED STATES

No. 733.—October Term, 1946.

Interstate Natural Gas Company, Incorporated, Petitioner, v. Federal Power Commission, et al.	On Writ of Certiorari from the United States Circuit Court of Appeals for the Fifth Circuit.

[June 16, 1947.]

Mr. Chief Justice Vinson delivered the opinion of the Court.

This case originated in proceedings before the Federal Power Commission initiated pursuant to § 5 (a) of the Natural Gas Act of 1938.[1] After overruling objections to its jurisdiction, the Commission entered an order requiring the petitioner to effect substantial rate reductions in certain of its sales of natural gas and to file new schedules of rates and charges.[2] Petitioner in seeking review of the order in the Circuit Court of Appeals, denied the jurisdiction of the Commission to set rates for the sales in issue in this case and asserted that the rates so established were confiscatory. That Court, one judge dissenting, denied the petition for review.[3] We granted certiorari limited to the question of the Commission's jurisdiction.

Petitioner owns and operates 110 natural gas wells and owns or controls over 56,000 acres in the Monroe field of northern Louisiana. Petitioner's main pipe line transports gas southward from the Monroe field through a part of Mississippi and back into Louisiana where at Baton Rouge sales are made to various distributing companies and industrial consumers. Petitioner concedes that with

[1] 52 Stat. 821, 15 U. S. C. § 717 *et seq.*; 56 Stat. 83.

[2] 3 F. P. C. 416.

[3] 156 F. 2d 949 (1946).

spect to these operations it is a natural gas company within the meaning of § 2 (6)[4] of the Act and that the Commission has jurisdiction to regulate the rates of sales connected therewith.

The issue of this case involves the jurisdiction of the Federal Power Commission to regulate sales made in the field by petitioner to three pipe-line companies each of which transports the gas so purchased to markets in States other than Louisiana.[5] Gas produced from petitioner's wells flows into petitioner's system of field pipe lines, moving first into branch lines, then into trunk lines, and finally into the main trunk lines from which delivery is made to the three purchasing companies. During the course of this movement petitioner purchases gas from other producers in the field which gas is introduced into petitioner's system at designated points and is there commingled with the gas moving from petitioner's own wells. By far the larger part of the gas so purchased by petitioner has been gathered from various wells of the selling companies before delivery to petitioner is made.[6] The gas moves through petitioner's system at well pressure. Shortly after the sales in question are completed, the gas is directed through the compressor stations of the purchasing companies and

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[4] Section 2 (6) provides: "'Natural-gas company' means a person engaged in the transportation of natural gas in interstate commerce, or the sale in interstate commerce of such gas for resale."

[5] The three companies include the Mississippi River Fuel Corporation, Southern Natural Gas Company, and the United Gas Pipe Line Company to which gas is sold for the account of the Memphis Natural Gas Company.

[6] Petitioner produced and purchased a total of 51,659,799 Mcf of gas in the Monroe field during 1941. Of this total, petitioner produced from its own wells 28,819,814 Mcf. Of the 22,839,985 Mcf purchased, 95% was gathered by the producers before delivery to petitioner; the remaining 5% was purchased by petitioner directly at the well heads. Petitioner sold 21,863,278 Mcf to the three purchasing companies in the transactions in question.

is there subjected to increased pressure in order that it may be moved to markets as far distant as Illinois. The entire movement of the gas from the wells to the purchasing companies through the compressor pumps and across the state lines is a continuous process without interruption for storage, processing or for any other purpose.[7] All the gas sold in these transactions is destined for ultimate public consumption in States other than Louisiana.

It appears that petitioner supplies only a part of the gas purchased by the three pipe-line companies in the Monroe field.[8] Counsel for petitioner conceded before the Commission, that the prices charged the three pipe-line companies were, by agreement, identical with those being charged by other producers in the field. The Commission found that petitioner was an affiliate of one of the three purchasing companies. It was the conclusion of the Commission that the rates charged by petitioner in these sales were "unjust, unreasonable and unlawful" and ordered rate reductions amounting to $596,320 per year as applied to the volume of gas sold in the test year of 1941.

Petitioner has at no time contended that regulation of its sales to the three purchasing companies is beyond the constitutional powers of Congress. Petitioner has vigorously asserted, however, that Congress did not exercise its full powers in the Natural Gas Act and that in § 1 (b) of the Act the jurisdiction of the Federal Power Commission is so limited as to preclude valid regulation of the sales by that agency. Section 1 (b) provides:

[7] Gas in the Monroe field is "dry" gas and consequently is not subjected to any extraction processing. Before moving into the compressor pumps the gas is run through a series of "scrubbers" which remove dirt and foreign particles. This is accomplished, however, without interruption in the movement.

[8] The transactions in question supply the Mississippi Fuel Corp. with 22% of its requirements, 24% of the requirements of the Memphis Natural Gas Co., and 16.61% of the requirements of Southern Natural Gas Co.

"The provisions of this Act shall apply to the transportation of natural gas in interstate commerce, to the sale in interstate commerce of natural gas for resale for ultimate public consumption for domestic, commercial, industrial, or any other use, and to natural-gas companies engaged in such transportation or sale, but shall not apply to any other transportation or sale of natural gas or to the local distribution of natural gas or to the facilities used for such distribution or to the production or gathering of natural gas."

It is not denied that the transactions in question were sales of natural gas for resale for ultimate public consumption.

Petitioner has raised two issues: First, it is contended, the sales are not "in interstate commerce." Second, the sales are a part of "production or gathering" and hence not within the Commission's power of regulation.

We have no doubt that the sales are in interstate commerce. Indeed, petitioner did not contest that position before the Commission, but, so far as the record reveals, raised the issue for the first time in its petition for rehearing in the Circuit Court of Appeals.[9] The Federal Power Commission found that the gas sold to the three pipe line companies moves ". . . in a constant flow from the mouths of the wells from which it is produced through pipe lines belonging to Interstate to the compressor station of the respective purchaser, and thence through said compressor

[9] In its complaint filed in the District Court for the Eastern District of Louisiana invoking the equity powers of the Court to restrain the Louisiana Public Service Commission from conducting an investigation into petitioner's rates and charges, petitioner specifically asserted that the sales in question are in interstate commerce and thus beyond the jurisdiction of the state commission. The District Court granted the requested relief. *Interstate Natural Gas Co.* v. *Public Service Commission*, 33 F. Supp. 50; 34 F. Supp. 980 (1940).

stations into the pipe line of said respective purchaser and thus into and through states other than Louisiana . . . , all without interruption, and said gas is so destined from the moment of its production." The Commission further found that "The gas transported and sold by Interstate to these three pipe line Companies continues its flow in interstate commerce and, as an established course of business well known to Interstate, is destined for resale for ultimate public consumption in . . . markets outside Louisiana."

Under the circumstances described by the Commission, it is clear that the sales in question were quite as much in interstate commerce as they would have been had the pipes of the petitioner crossed the state line before reaching the points of sale.[10] Thus in *Public Utilities Commission* v. *Attleboro Steam & Electric Co.*, 273 U. S. 83 (1927), a sale of electrical energy at the state line was held to be in interstate commerce. Commenting on that case, this Court in *Jersey Central Power & Light Co.* v. *Federal Power Commission*, 319 U. S. 61, 69 (1943) stated: "We see no distinction between a sale at or before reaching the state line." There is nothing in the terms of the Act or in its legislative history to indicate that Congress intended that a more restricted meaning be attributed to the phrase "in interstate commerce" than that which theretofore had been given to it in the opinions of

[10] *Shafer* v. *Farmers Grain Co.*, 268 U. S. 189 (1925); *Lemke* v. *Farmers Grain Co.*, 258 U. S. 50 (1922); *Dahnke-Walker Milling Co.* v. *Bondurant*, 257 U. S. 282 (1921). And see *Illinois Natural Gas Co.* v. *Central Illinois Public Service Co.*, 314 U. S. 498, 503–504 (1942); *Currin* v. *Wallace*, 306 U. S. 1, 10 (1939); *Peoples Natural Gas Co.* v. *Public Service Comm'n.*, 270 U. S. 550, 554 (1926); *Illinois Central R. Co.* v. *Railroad Comm'n.*, 236 U. S. 157, 163 (1915). Cf. *Milk Control Board* v. *Eisenberg Farm Products*, 306 U. S. 346 (1939).

this Court.[11] Section 2 (7) of the Act defines "interstate commerce" as ". . . commerce between any point in a State and any point outside thereof, or between points within the same State but through any place outside thereof, ..." Clearly the sales in question were a part of commerce being carried on between points in Louisiana and points in other States. There is nothing in that language to suggest that Congress intended that sales consummated before the gas crosses a state line should not be regarded as being "in" such commerce.

Nor are we impressed with the suggestion that the interstate movement of the gas should be regarded as beginning when the gas, theretofore moving through petitioner's pipe line system at well pressure, is subjected to increased pressure in the compressor stations of the purchasing companies in order that the gas may be moved to the distant markets. Long before the gas reaches the compressor pumps it has been committed to its interstate journey which follows without interruption or deviation. Under such circumstances, the increase of pressure in the compressor stations must be regarded as merely an incident in the interstate commerce rather than as its origin."[12]

The Company contends, however, that regardless of whether the sales in question are in interstate commerce, those transactions fall within the clause of § 1 (b) specifically excepting from the Commission's jurisdiction regulation of ". . . the production or gathering of natural gas." In evaluating that contention we should not lose sight of

[11] *Illinois Natural Gas Co.* v. *Central Illinois Public Service Co.*, 314 U. S. 498, 508 (1942); *Peoples Natural Gas Co.* v. *Federal Power Comm'n.*, 75 U. S. App. D. C. 235, 127 F. 2d 153 (1942). Cf. *Jersey Central Power & Light Co.* v. *Federal Power Comm'n.*, 319 U. S. 61, 70–71 (1943).

[12] Cf. *Illinois Natural Gas Co.* v. *Central Illinois Public Service Co.*, *supra* at 504–505; *State Tax Comm'n.* v. *Interstate Natural Gas Co.*, 284 U. S. 41, 44 (1931).

the objectives sought to be accomplished by Congress in passing the Natural Gas Act.

In a series of decisions announced prior to the passage of the Act, this Court had held that although Congress had not acted, the regulation of wholesale rates of gas and electrical energy moving in interstate commerce is beyond the constitutional powers of the States.[13] Petitioner, relying in part upon the principles established by those cases, has successfully avoided regulation by the Louisiana Public Service Commission.[14] As was stated in the House Committee report, the "basic purpose" of Congress in passing the Natural Gas Act was "to occupy this field in which the Supreme Court has held that the States may not act."[15] In denying the Federal Power Commission jurisdiction to regulate the production or gathering of natural gas, it was not the purpose of Congress to free companies such as petitioner from effective public control. The purpose of that restriction was, rather, to preserve in the States powers of regulation in areas in which the States are constitutionally competent to act. Thus the House Committee Report states: "The bill takes no authority from State Commissions, and is so drawn as to complement and in no manner usurp State regulatory authority. . . ."[16] Clearly, among the powers thus reserved to the States is the power to regulate the physical production and gathering of natural gas in the interests of conservation or of any other consideration of legitimate local concern.[17]

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[13] *Missouri* v. *Kansas Natural Gas Co.*, 265 U. S. 298 (1924); *Public Utilities Comm'n.* v. *Attleboro Steam & Electric Co.*, 273 U. S. 83 (1927); *State Corp. Comm'n.* v. *Wichita Gas Co.*, 290 U. S. 561 (1934).

[14] See note 9, *supra*.

[15] H. R. Rep. No. 709, 75th Cong., 1st Sess., 2.

[16] *Ibid.*

[17] *Colorado Interstate Gas Co.* v. *Federal Power Comm'n.*, 324 U. S. 581, 602–603 (1945).

It was the intention of Congress to give the States full freedom in these matters. Thus, where sales, though technically consummated in interstate commerce, are made during the course of production and gathering and are so closely connected with the local incidents of that process as to render rate regulation by the Federal Power Commission inconsistent or a substantial interference with the exercise by the State of its regulatory functions, the jurisdiction of the Federal Power Commission does not attach.[18] But such conflict must be clearly shown. Exceptions to the primary grant of jurisdiction in the section are to be strictly construed. It is not sufficient to defeat the Commission's jurisdiction over sales for resale in interstate commerce to assert that in the exercise of the power of rate regulation in such cases, local interests may in some degree be affected.[19]

There is nothing in the record to indicate that the regulation in question is in any way inconsistent with the exercise by Louisiana of the powers over production and gathering of natural gas reserved to it by Congress in § 1 (b) of the Act. The State in a series of enactments has made elaborate provision for the conservation of its natural gas resources and has established various rules and regulations relating to the production and gathering process.[20] Most of those provisions presumably, are ap-

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[18] The Federal Power Commission has not asserted jurisdiction over all sales taking place in the natural gas fields even though in interstate commerce for resale for ultimate public consumption. *In the Matter of Columbia Fuel Corp.*, 2 F. P. C. 200; *In the Matter of Billings Co.*, 2 F. P. C. 228. We express no opinion as to the validity of the jurisdictional tests employed by the Commission in these cases.

[19] Cf. *Colorado Interstate Gas Co.* v. *Federal Power Comm'n.*, *supra* at 603; *Federal Power Comm'n.* v. *Hope Natural Gas Co.*, 320 U. S. 591, 607–612 (1944).

[20] La. Gen. Stat. §§ 4766–4826.2.

plicable to petitioner's field operations.[21] The record is devoid of any suggestion that Louisiana has ever opposed the jurisdiction of the Federal Power Commission in this case or has ever urged that federal regulation of the sales in question would interfere with the exercise by the State of its regulatory functions.[22] We do not suggest that the jurisdiction of the Commission in any case is to be determined by the resistance or lack of resistance on the part of the State to federal regulation. But in evaluating the Company's contention that the State's powers have been invaded, we regard it a matter of some significance that although the State has freely exercised its regulatory powers over the production and gathering of natural gas, there is no evidence of any conflict, present or threatened, in the performing of those functions by the State with the exercise of the jurisdiction of the Federal Power Commission in this case.

It is not contended that the Commission is precluded from regulating the sales in question by reason of the exception from the Commission's jurisdiction relating to the production of natural gas. Petitioner asserts, however, that the sales to the three pipe line companies are a part of the gathering process and consequently not within the Commission's power of regulation. This basic contention has given rise to a great many subsidiary questions such as whether the sales were made from petitioner's "gathering" lines or from petitioner's "transmission" lines and whether the gathering process continued to the points of sale or was, as the Commission found, completed at some point prior to surrender of custody and passage of title. We have found it unnecessary to resolve those issues.

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[21] The record contains testimony by counsel for petitioner to the effect that these provisions apply to petitioner and that petitioner's operations have conformed with their requirements.

[22] Counsel for the Louisiana Public Service Commission and for two Louisiana municipalities participated in the proceedings before the Federal Power Commission.

The gas moved by petitioner to the points of sale consisted of gas produced from petitioner's wells commingled with that produced and gathered by other companies and introduced into petitioner's pipe line system during the course of the movement. By the time the sales are consummated, nothing further in the gathering process remains to be done. We have held that these sales are in interstate commerce. It cannot be doubted that their regulation is predominately a matter of national, as contrasted to local concern. All the gas sold in these transactions is destined for consumption in States other than Louisiana. Unreasonable charges exacted at this stage of the interstate movement become perpetuated in large part in fixed items of costs which must be covered by rates charged subsequent purchasers of the gas including the ultimate consumer.[23] It was to avoid such situations that the Natural Gas Act was passed.

For reasons stated above we have concluded that the Federal Power Commission in this case has not exceeded the jurisdiction conferred upon it by Congress in § 1 (b) of the Natural Gas Act.

Affirmed.

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[23] A number of cases in this Court have held that the reasonableness of cost items such as that incurred by a purchasing pipe-line company in acquiring gas for transportation may be inquired into during the course of subsequent regulation when buyer and seller are affiliated corporations and there is evidence that the sales were not made at arms length. The Commission found affiliation to exist between petitioner and only one of the three purchasing companies, the Mississippi River Fuel Corporation. There was a finding of "close contractual and operating arrangements" between petitioner and another of the purchasing companies. *Natural Gas Pipeline Co.* v. *Slattery*, 302 U. S. 300 (1937); *Columbus Gas & Fuel Co.* v. *Public Utilities Comm'n.*, 292 U. S. 398 (1934); *Dayton Power & Light Co.* v. *Public Utilities Comm'n.*, 292 U. S. 290 (1934); *Western Distributing Co.* v. *Public Service Comm'n.*, 285 U. S. 119 (1932); *Smith* v. *Illinois Bell Telephone Co.*, 282 U. S. 133 (1930); *United Fuel Gas Co.* v. *Railroad Comm'n.*, 278 U. S. 300 (1929).